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SOCIAL SECURITY AMENDMENTS OF 1954

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-THIRD CONGRESS

SECOND SESSION

ON

H. R. 9366

AN ACT TO AMEND THE SOCIAL SECURITY ACT AND THE INTERNAL REVENUE CODE SO AS TO EXTEND COVERAGE UNDER THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM, INCREASE THE BENEFITS PAYABLE THEREUNDER, PRESERVE THE INSURANCE RIGHTS OF DISABLED INDIVIDUALS, AND INCREASE THE AMOUNT OF EARNINGS PERMITTED WITHOUT LOSS OF BENEFITS, AND FOR OTHER PURPOSES

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SOCIAL SECURITY AMENDMENTS OF 1954

THURSDAY, JUNE 24, 1954

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

The committee met, pursuant to call, in room 312, Senate Office Building, at 10 a. m., Senator Eugene D. Millikin (chairman) presiding.

Present: Senators Millikin, Butler, Martin, Carlson, Bennett, George, Byrd, Frear, and Long.

The CHAIRMAN. The meeting will come to order. At this point in the record we will include the bill, H. R. 9366, and a comparative print showing major differences in the present social-security law and H. R. 9366 as passed by the House of Representatives relating to old-age and survivors insurance and public assistance.

(The bill and comparative print referred to follow:)

[H. R. 9366, 83d Cong., 2d. sess.]

AN ACT To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1954".

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

EXTENSION OF COVERAGE

DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S BUSINESS, AND AGRICULTURAL LABOR

SEC. 101. (a) (1) Paragraph (2) of section 209 (g) of the Social Security Act is amended to read as follows:

"(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this prargraph, the term 'domestic service in a private home of the employer' does not include service described in section 210 (f) (5);".

(2) Section 209 (g) of such Act is amended by adding at the end thereof the following new paragraph:

"(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term 'service not in the course of the employer's trade or business' does not include domestic service in a private home of the employer and does not include service described in section 210 (f) (5);".

(3) Section 209 (h) of such Act is amended by inserting "(1)" after "(h)" and by adding at the end thereof the following new paragraph:

"(2) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor, if the cash remuneration paid in such year by the employer to the employee for such labor is less than $200;".

(4) Section 210 (a) (1) of such Act is amended to read as follows:

"(1) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended;".

(5) Section 210 (a) of such Act is amended by striking out paragraph (3) and redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14), and any references thereto contained in such Act, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

(6) The second sentence of section 218 (c) (5) of such Act is amended by inserting before the period at the end thereof "and service the remuneration for which is excluded from wages by paragraph (2) of section 209 (h)."

AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS ON FOREIGN-FLAG VESSELS

(b) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (4) is amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not a citizen of the United States or (ii) the employer is not an American employer".

CERTAIN FEDERAL EMPLOYEES

(c) (1) Subparagraph (B) of the paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (6) is amended—

(A) by inserting "by an individual" after "Service performed", and by inserting "and if such service is covered by a retirement system established by such instrumentality;" after "December 31, 1950,";

(B) by inserting "a Federal Home Loan Bank," after "a Federal Reserve Bank," in clause (ii); and

(C) by striking out "or" at the end of clause (iii), by adding "or" at the end of clause (iv), and by adding at the end of the subparagraph the following new clause:

"(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;".

(2) Subparagraph (C) of such paragraph is amended to read as follows:

"(C) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

"(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner of or to the Congress;

"(ii) in the legislative branch;

"(iii) in a penal institution of the United States by an inmate thereof;

"(iv) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(v) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency; or

"(vi) by any individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system (other than the retirement system of the Tennessee Valley Authority);".

(3) Section 205 (p) (3) of such Act is amended by adding at the end thereof the following new sentence: "The provisions of paragraphs (1) and (2) shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast

Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality."

MINISTERS

(d) (1) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, other than service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) (1) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to section 1426 (l) (2) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;".

(2) Section 211 (c) of such Act is amended by striking our paragraph (4).

(3) Nothing in subsection (a) of section 210 of the Social Security Act, as amended by this Act, or in subsections (b) and (l) of section 1426 of the Internal Revenue Code, as so amended, shall be construed to mean that any minister is an employee of an organization for any purpose other than the purposes of such sections.

FISHING AND RELATED SERVICE

(e) Section 210 (a) of the Social Security Act is further amended by striking out paragraph (15) and redesignating paragraphs (16) and (17), and any references thereto contained in such Act, as paragraphs (14) and (15), respectively.

HOMEWORKERS

(f) Subparagraph (C) of section 210 (k) (3) of the Social Security Act is amended by striking out ", if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed".

FARMERS AND PROFESSIONAL SELF-EMPLOYED

(g) (1) Subsection (a) of section 211 of the Social Security Act is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and any references thereto contained in such Act, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such subsection the following new sentence: "In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f), (i) if the gross income derived from such trade or business by such individual is not more than $1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than $1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than $900,

such net earnings may instead, at the option of such individual, be deemed to be $900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the preceding provisions of this subsection."

(2) Paragraph (1) of such section 211 (a) is amended to read as follows:

"(1) There shall be excluded rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares), together with the deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;".

(3) The paragraph of such section 211 (a) herein redesignated as paragraph (3) is amended by striking out "cutting or disposal of timber" and inserting in lieu thereof "cutting of timber, or the disposal of timber or coal,".

(4) Section 211 (c) of such Act is amended by striking out paragraph (5), by inserting "or" at the end of paragraph (3), and by adding after paragraph (3) the following new paragraph:

"(4) The performance of service by an individual in the exercise of his profession as a physician, or the performance of such service by a partnership."

EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT SYSTEMS

(h) (1) Section 218 (d) of such Act is amended by striking out "Exclusion Of" in the heading, by inserting "(1)" after "(d)", and by striking out "on the date such agreement is made applicable to such coverage group" and inserting in lieu thereof "either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of the enactment of the succeeding paragraph of this subsection (except in the case of positions which are, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of the enactment of such succeeding paragraph, no longer covered by a retirement system on the date referred to in clause (A), and except in the case of positions excluded by paragraph (5) (A)). The preceding sentence shall not be applicable to any service performed by an employee as a member of any coverage group in a position (other than a position excluded by paragraph (5) (A)) covered by a retirement system on the date an agreement is made applicable to such coverage group if, on such date (or, if later, the date on which such individual first occupies such position), such individual is ineligible to be a member of such system".

(2) Such section 218 (d) is further amended by adding at the end thereof the following new paragraphs:

"(2) It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the protection afforded employees in positions covered by a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof.

"(3) Notwithstanding paragraph (1), an agreement with a State may be made applicable (either in the original agreement or by any modification thereof) to service performed by employees in positions covered by a retirement system (including positions specified in paragraph (4) but not including positions excluded by or pursuant to paragraph (5)) if the governor of the State certifies to the Secretary of Health, Education, and Welfare that the following conditions have been met:

"(A) A referendum by secret written ballot was held on the question of whether service in positions covered by such retirement system should be excluded from or included under an agreement under this section;

"(B) An opportunity to vote in such referendum was given (and was limited) to eligible employees;

"(C) Ninety days' notice of such referendum was given to all such employees;

"(D) Such referendum was conducted under the supervision of the governor or an agency or individual designated by him;

"(E) A majority of the eligible employees voted in such referendum; and

"(F) Two-thirds or more of the employees who voted in such referendum voted in favor of including service in such positions under an agreement under this section.

An employee shall be deemed an 'eligible employee' for purposes of any referendum with respect to any retirement system if, at the time such referendum was held, he was in a position covered by such retirement system and was a member of such system, and if he was in such a position at the time notice of such referendum was given as required by clause (C) of the preceding sentence; except that he shall not be deemed an 'eligible employee' if, at the time the referendum was held, he was in a position to which the State agreement already applied, or if he was in a position excluded by or pursuant to paragraph (5). No referendum with respect to a retirement system shall be valid for purposes of this paragraph unless held within the two-year period which ends on the date of execution of the agreement or modification which extends the insurance system established by this title to such retirement system, nor shall any referendum with respect to a retirement system be valid for purposes of this paragraph if held less than one year after any prior referendum held with respect to such retirement system.

"(4) For the purposes of subsection (c) of this section, the following employees shall be deemed to be a separate coverage group—

"(A) all employees in positions which were covered by the same retirement system on the date the agreement was made applicable to such system (other than employees to whose services the agreement already applied on such date);

"(B) all employees in positions which became covered by such system at any time after such date; and

"(C) all employees in positions which were covered by such system at any time before such date and to whose services the insurance system established by this title has not been extended before such date because the positions were covered by such retirement system (including employees to whose services the agreement was not applicable on such date because such services were excluded pursuant to subsection (c) (3) (C)).

"(5) (A) Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position.

"(B) At the request of the State, any class or classes of positions covered by a retirement system which may be excluded from the agreement pursuant to paragraph (3) or (5) of subsection (c), and to which the agreement does not already apply, may be excluded from the agreement at the time it is made applicable to such retirement system; except that, notwithstanding the provisions of paragraph (3) (C) of such subsection, such exclusion may not include any services to which such paragraph (3) (C) is applicable. In the case of any such exclusion, each such class so excluded shall, for purposes of this subsection, constitute a separate retirement system in case of any modification of the agreement thereafter agreed to.

"(6) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to each political subdivision concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State."

(3) Paragraph (3) of section 218 (c) is amended to read as follows:

"(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any one or more of the following:

"(A) Any service of an emergency nature;

"(B) All services in any class or classes of (i) elective positions, (ii) part-time positions, or (iii) positions the compensation for which is on a fee basis;

"(C) All services performed by individuals as members of a coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group, but only in the case of individuals who, on such date (or, if later, the date on which they first occupy such positions), are not eligible to become members of such system and whose services in such positions have not already been included under such agreement pursuant to subsection (d) (3)."

(4) Paragraph (4) of such section 218 (c) is amended by adding at the end thereof the following new sentence: "A modification of an agreement pursuant to clause (B) of the preceding sentence may apply to individuals to whom paragraph (3) (C) is applicable (whether or not the previous exclusion of the service of such individuals was pursuant to such paragraph), but only if such individuals are, on the effective date specified in such modification, ineligible to be members of any

retirement system or if the modification with respect to such individuals is pursuant to subsection (d) (3)."

(5) Such section 218 (c) is further amended by adding at the end thereof the following new paragraph:

"(7) No agreement may be made applicable (either in the original agreement or by any modification thereof) to service performed by any individual to whom paragraph (3) (C) is applicable unless such agreement provides (in the case of each coverage group involved) either that the service of any individual to whom such paragraph is applicable and who is a member of such coverage group shall continue to be covered by such agreement in case he thereafter becomes eligible to be a member of a retirement system, or that such service shall cease to be so covered when he becomes eligible to be a member of such a system (but only if the agreement is not already applicable to such system pursuant to subsection (d) (3)), whichever may be desired by the State."

(6) Section 218 (f) of such Act is amended to read as follows:

"(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification; except that—

"(1) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

"(2) in the case of an agreement or modification agreed to after 1954 but prior to 1958, such date may not be earlier than December 31, 1954; and

"(3) in the case of an agreement or modification agreed to during 1954 or after 1957, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State."

(7) Section 218 (m) (1) of such Act is amended by striking out "subsection (d)" and inserting in lieu thereof "paragraph (1) of subsection (d)".

(8) Section 218 of such Act is further amended by adding at the end thereof the following new subsection:

"Certain Positions No Longer Covered By Retirement Systems

"(n) Notwithstanding subsection (d), an agreement with any State entered into under this section prior to the date of the enactment of this subsection may, prior to January 1, 1958, be modified pursuant to subsection (c) (4) so as to apply to services performed by employees, as members of any coverage group to which such agreement already applies (and to which such agreement applied on such date of enactment), in positions (1) to which such agreement does not already apply, (2) which were covered by a retirement system on the date such agreement was made applicable to such coverage group, and (3) which, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of the enactment of this subsection, are no longer covered by a retirement system on the date such agreement is made applicable to such services."

(9) The amendments made by this subsection shall take effect January 1, 1955.

CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS

(i) (1) Effective as of January 1, 1951, paragraph (5) of section 218 (b) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Civilian employees of National Guard units of a State who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U. S. C., sec. 42), and paid from funds allotted to such units by the Department of Defense, shall for purposes of this section be deemed to be employees of the State and (notwithstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group."

(2) In the case of any coverage group to which the amendment made by paragraph (1) is applicable, any agreement or modification of an agreement agreed to prior to January 1, 1956, may, notwithstanding section 218 (f) of the Social Security Act, be made effective with respect to services performed by employees as members of such coverage group after any effective date specified therein, but in no case may such effective date be earlier than December 31, 1950.

PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETROACTIVE STATE AGREEMENTS

(j) (1) In the case of any services performed prior to 1955 to which an agreement under section 218 of the Social Security Act was made applicable, deductions which—

(A) were not imposed under section 203 of such Act with respect to such services performed prior to the date the agreement was agreed to or, if the original agreement was not applicable to such services, performed prior to the date the modification making such agreement applicable to such services was agreed to, and

(B) would have been imposed under such section 203 had such agreement, or modification, as the case may be, been agreed to on the date it became effective,

shall be deemed to have been imposed, but only for purposes of determining whether, on the basis of an application filed after the month in which this Act is enacted and prior to January 1, 1956, any person is entitled to a recomputation, under section 215 (f) of the Social Security Act, of the primary insurance amount of the individual who performed such services. For purposes of any such recomputation the individual who performed such services shall be deemed to have filed an application for recomputation in the month for which the last of the deductions is deemed to have been made under this paragraph, or in the first month thereafter (and prior to the month in which this Act is enacted) in which his benefits under section 202 (a) of the Social Security Act were no longer subject to deductions under paragraph (1) or (2) of section 203 (b) of such Act, whichever results in a higher primary insurance amount for such individual. Any such recomputation shall be made as provided in the Social Security Act prior to the enactment of this Act, and shall be effective for and after the month in which the application referred to in the first sentence of this paragraph is filed. This paragraph shall not be applicable in the case of any such individual if his primary insurance amount has been recomputed under section 215 (f) (2) of the Social Security Act prior to the month in which this Act is enacted.

(2) If any recomputation under section 215 (f) of the Social Security Act is made by reason of deductions deemed pursuant to paragraph (1) of this subsection to have been imposed with respect to benefits based on the wages and self-employment income of any individual, the total of the benefits based on such wages and self-employment income for months for which such deductions are so deemed to have been imposed shall be recovered by making, in addition to any other deductions under section 203 of such Act, deductions from any increase in benefits, based on such wages and self-employment income, resulting from such recomputation.

SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY OF DOMESTIC CORPORATION

(k) Clause (B) of so much of section 210 (a) of the Social Security Act as precedes paragraph (1) thereof is amended to read as follows: "(B) outside the United States by a citizen of the United States as an employee (i) of an American employer (as defined in subsection (e)), or (ii) of a foreign subsidiary (as defined in section 1426 (m) of the Internal Revenue Code) of a domestic corporation (as determined in accordance with section 3797 (a) of the Internal Revenue Code) during any period for which there is in effect an agreement, entered into pursuant to section 1426 (m) of the Internal Revenue Code, with respect to such subsidiary;".

EFFECTIVE DATES

(l) The amendment made by paragraph (3) of subsection (g) shall be applicable only with respect to taxable years beginning after 1950. The amendments made by paragraphs (1), (2), and (4) of such subsection and by paragraph (2) of subsection (d) shall, except for purposes of section 203 of the Social Security Act, be applicable only with respect to taxable years ending after 1954. The amendments made by paragraphs (1), (2), and (3) of subsection (a) shall be applicable only with respect to remuneration paid after 1954. The amendments made by paragraphs (4), (5), and (6) of subsection (a) shall be applicable only with respect to services (whether performed after 1954 or prior to 1955) for which the remuneration is paid after 1954. The amendment made by paragraph (3) of subsection (c) shall become effective January 1, 1955. The other amendments made by this section (other than the amendments made by subsections (h), (i), and (k)) shall

be applicable only with respect to services performed after 1954. For purposes of section 203 of the Social Security Act, the amendments made by paragraphs (1), (2), and (4) of subsection (g) and by paragraph (2) of subsection (d) shall be effective with respect to self-employment income derived after 1954. The amount of self-employment income derived during any taxable year ending in, and not with the close of, 1955 shall be credited equally to the calendar quarter in which such taxable year ends and to each of the three or fewer preceding quarters any part of which is in such taxable year; and, for purposes of the preceding sentence of this subsection, self-employment income so credited to calendar quarters in 1955 shall be deemed to have been derived after 1954.

INCREASE IN BENEFIT AMOUNTS

SEC. 102. (a) Subsection (a) of section 215 of the Social Security Act is amended to read as follows:

"Primary Insurance Amount

"(a) (1) The primary insurance amount of any individual (i) who does not become eligible for benefits under section 202 (a) until after the last day of the month following the month in which the Social Security Amendments of 1954 are enacted, or who dies after such day and without becoming eligible for benefits under such section 202 (a), and (ii) with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and the primary insurance amount of any individual with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, shall be whichever of the following amounts is the larger:

"(A) Fifty-five per centum of the first $110 of his average monthly wage, plus 20 per centum of the next $240; or

"(B) The amount determined under subsection (c).

An individual shall, for purposes of this paragraph, be deemed eligible for benefits under section 202 (a) for any month if he was or would have been, upon filing application therefor in such month, entitled to such benefits for such month.

"(2) The primary insurance amount of any other individual shall be the amount determined under subsection (c)."

(b) (1) Paragraphs (1), (2), and (3) of subsection (b) of such section are amended to read as follows:

"(1) An individual's 'average monthly wage' shall be the quotient obtained by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the number of months elapsing after such starting date and prior to such closing date, excluding from such elapsed months any month in any year prior to the year in which he attained the age of twenty-two if less than two quarters of such prior year were quarters of coverage, except that when the number of such elapsed months thus computed is less than eighteen, it shall be increased to eighteen.

"(2) An individual's 'starting date' shall be—

"(A) December 31, 1950, or

"(B) if later, the last day of the year in which he attains the age of twenty-one,

whichever results in the higher average monthly wage.

"(3) An individual's 'closing date' shall be whichever of the following results in the higher average monthly wage:

"(A) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or

"(B) the first day of the first year in which he both was fully insured and had attained retirement age;

except that if the Secretary determines, on the basis of the evidence available to him at the time of the computation of the individual's primary insurance amount with respect to which such closing date is applicable, that it would result in a higher average monthly wage for such individual, his closing date shall be the first day of the year following the year referred to in subparagraph (A)."

(2) Subsection (b) of such section is further amended by striking out paragraph (4) and inserting in lieu thereof the following new paragraph:

"(4) In the case of any individual, the Secretary shall determine the four or fewer full calendar years after the year in which occurs his starting date and prior to his closing date which, if the months of such years and his wages and self-employment income for such years were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such months and

such wages and self-employment income shall be excluded for purposes of computing such individual's average monthly wage. The maximum number of calendar years determined under the first sentence of this paragraph shall be five instead of four in the case of any individual who had not less than twenty quarters of coverage in the period ending with the calendar quarter preceding his closing date."

(c) Subsection (c) of such section is amended to read as follows:

"Determinations Made by Use of the Conversion Table

"(c) (1) Except as provided in paragraph (2) of this subsection, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for an individual shall be either the amount appearing in column III of the following table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)), or the amount appearing in column III of the following table on the line on which in column II appears his primary insurance amount (determined as provided in subsection (d)), whichever produces the higher amount; and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing in column IV on the line on which, in column III, appears such higher amount.

"I	II	III	IV
"If the primary insurance benefit (as determined under subsection (d)) is—	Or the primary insurance amount (as determined under subsection (d)) is—	The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	And the average monthly wage for purposes of computing maximum benefits shall be—
$10	$25.00	$30.00	$55.00
$11	27.00	32.00	58.00
$12	29.00	34.00	62.00
$13	31.00	36.00	65.00
$14	33.00	38.00	69.00
$15	35.00	40.00	73.00
$16	36.70	41.70	76.00
$17	38.20	43.20	79.00
$18	39.50	44.50	81.00
$19	40.70	45.70	83.00
$20	42.00	47.00	85.00
$21	43.50	48.50	88.00
$22	45.30	50.30	91.00
$23	47.50	52.50	95.00
$24	50.10	55.10	100.00
$25	52.40	57.40	104.00
$26	54.40	59.40	108.00
$27	56.30	61.30	114.00
$28	58.00	63.00	123.00
$29	59.40	64.40	130.00
$30	60.80	66.30	139.00
$31	62.00	67.90	147.00
$32	63.30	69.50	155.00
$33	64.40	71.10	163.00
$34	65.50	72.50	170.00
$35	66.60	73.90	177.00
$36	67.80	75.50	185.00
$37	68.90	77.10	193.00
$38	70.00	78.50	200.00
$39	71.00	79.90	207.00
$40	72.00	81.10	213.00
$41	73.10	82.70	221.00
$42	74.10	83.90	227.00
$43	75.10	85.30	234.00
$44	76.10	86.70	241.00
$45	77.10	88.50	250.00
$46	77.10	88.50	250.00
	77.20	88.50	250.00
	77.30	88.50	250.00
	77.40	88.50	250.00
	77.50	88.50	250.00
	78.00	89.10	253.00
	79.00	90.50	260.00
	80.10	91.90	267.00
	81.00	93.10	273.00
	82.00	94.50	280.00
	83.10	95.00	287.00
	84.00	97.10	293.00
	85.00	98.50	300.00

"(2) (A) In case the primary insurance benefit (determined as provided in subsection (d)) of an individual falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage which would be determined for such individual under paragraph (4) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954, (ii) by increasing the amount determined under clause (i), if it is not a multiple of $0.10, to the next higher multiple of $0.10, and (ii) by further increasing such amount to the extent, if any, it is less than $5 greater than the primary insurance amount which would be determined for him by use of his primary insurance benefit under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954.

"(B) In case the primary insurance amount (determined under subsection (d)) of an individual falls between the amounts on any two consecutive lines in column II of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined under subparagraph (A) of this paragraph for an individual whose primary insurance benefit would (under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954) produce such primary insurance amount; except that, if there is no primary insurance benefit which would (under such paragraph (2)) produce such primary insurance amount or if such primary insurance amount is higher than $77.10, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage from which such primary insurance amount was determined, (ii) by increasing the amount determined under clause (i), if it is not a multiple of $0.10, to the next higher multiple of $0.10, and (iii) by further increasing such amount to the extent, if any, it is less than $5 greater than such primary insurance amount.

"(C) If the provisions of subparagraphs (A) and (B) of this paragraph are both applicable to an individual, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the larger of the amounts determined under such subparagraphs.

"(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Secretary is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

"(4) For purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount is determined under paragraph (2) of this subsection shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon the application of the provisions of subsection (a) (1) (A) of this section and without the application of subsection (e) (2) or (g) of this section; except that, if such sum is not a multiple of $1, it shall be rounded to the nearest multiple of $1 (or to the next higher multiple of $1 if it is a multiple of $0.50)."

(d) (1) The heading of subsection (d) of such section is amended to read "Primary Insurance Benefit and Primary Insurance Amount For Purposes of Conversion Table".

(2) So much of such subsection (d) as precedes paragraph (1) thereof is amended by inserting "and the primary insurance amounts" after "primary insurance benefits".

(3) So much of paragraph (4) of such subsection (d) as precedes subparagraph (A) is amended by inserting "(except an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage)" after "individual".

(4) Such subsection (d) is amended by adding after paragraph (5), added by section 106 of this Act, the following new paragraph:

"(6) The primary insurance amount of any individual shall be computed as provided in this section as in effect prior to the enactment of this paragraph, except that the amendments made by sections 102 (b) (other than paragraph (2) thereof), 104, and 106 of the Social Security Amendments of 1954 (relating, respectively, to increase in benefit amounts, increase in earnings counted, and periods of disability) shall, to the extent provided by such sections, be applicable to such computation."

(e) (1) Section 215 (e) of such Act is amended by striking out "and" at the end of paragraph (1), by changing the period at the end of paragraph (2) to a semicolon, and by adding after such paragraph (2) the following new paragraph:

"(3) if an individual's closing date is determined under paragraph (3) (A) of subsection (b) and he has self-employment income in taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, there shall not be counted, in determining his average monthly wage, his self-employment income in such taxable year, except as provided in section 215 (f) (3) (C)."

(2) (A) Section 215 (f) (2) of such Act is amended to read as follows:

"(2) (A) Upon application filed after 1954 by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if—

"(i) he has not less than six quarters of coverage in the period after 1950 and prior to the quarter in which such application is filed,

"(ii) he has wages and self-employment income of not less than $1,000 in a calendar year which occurs after 1953 and after the year in which he became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits or filed an application for recomputation (to which he is entitled) under section 102 (e) (5) or 102 (f) (2) (B) of the Social Security Amendments of 1954, whichever of such events is the latest, and

"(iii) he filed such application no earlier than six months after such calendar year referred to in clause (ii) in which he had such wages and self-employment income.

Such recomputation shall be effective for and after the twelfth month before the month in which he filed such application for recomputation but in no event earlier than the month following such calendar year referred to in clause (ii). For the purposes of this subparagraph an individual's self-employment income shall be allocated to calendar quarters in accordance with section 212.

"(B) Except as provided in subparagraph (C) a recomputation pursuant to subparagraph (A) shall be made only as provided in subsection (a) (1) (other than subparagraph (B) thereof) of this section, taking into account only such wages and self-employment income which would be taken into account under subsection (b) if the month in which he filed the application under subparagraph (A) were deemed to be the month in which he became entitled to old-age insurance benefits, except that, of the provisions of paragraph (3) of such subsection, only the provisions of subparagraph (A) shall be applicable.

"(C) If such recomputation is the first recomputation under subparagraph (A), such recomputation shall be made as though the individual first became entitled to old-age insurance benefits on the day he filed application for such recomputation. For purposes of this subparagraph a recomputation under section 102 (e) (5) (B) or 102 (f) (2) (B) of the Social Security Amendments of 1954 shall be deemed to be a recomputation under subparagraph (A) of this paragraph."

(3) (A) Section 215 (f) (3) of such Act is amended to read as follows:

"(A) Upon application by an individual—

"(i) who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits under section 202 (a) after the effective date, or

"(ii) whose primary insurance amount was recomputed under section 102 (e) (5) or 102 (f) (2) (B) of the Social Security Amendments of 1954, or

"(iii) whose primary insurance amount was recomputed for the first time under paragraph (2) of this subsection on the basis of an application filed after the effective date,

the Secretary shall recompute his primary insurance amount if such application is filed after the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made in the manner provided in the preceding subsections of this section for computation of his primary insurance amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of the preceding sentence, whichever is the later. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed. As used in this subparagraph and subparagraph (B), the term 'effective date'

means the last day of the month following the month in which the Social Security Amendments of 1954 are enacted.

"(B) Upon application by a person entitled to monthly benefits or a lump-sum death payment on the basis of the wages and self-employment income of an individual who died after the effective date and who, if he was entitled to an old-age insurance benefit before he died, would, upon the filing of an application in the month of his death, have been entitled to a recomputation of his primary insurance amount under subparagraph (A) of this paragraph, the Secretary shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he died or in which he filed h.. application for the last previous computation of his primary insurance amount under any provision of law referred to in clause (i), (ii), or (iii) of the first sentence of subparagraph (A), whichever first occurred. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed."

(B) Such section 215 (f) (3) is further amended by adding after subparagraph (B) (added by subparagraph (A) of this pararraph) the following new subparagraph:

"(C) If an individual's closing date is determined under paragraph (3) (A) of subsection (b) of this section and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount after the close of such taxable year, taking into account only such self-employment income in such taxable year as is, pursuant to section 212, allocated to calendar quarters prior to such closing date. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits."

(4) Section 215 (f) (4) of such Act is amended to read as follows:

"(4) Upon the death after 1954 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if—

"(A) the decedent would have been entitled to a recomputation under paragraph (2) (A) (without the application of clause (iii) thereof) if he had filed application therefor in the month in which he died; or

"(B) the decedent during his lifetime was paid compensation which was treated under section 205 (o) as remuneration for employment.

If the recomputation is permitted by subparagraph (A) the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) (A) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B) the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made."

(5) (A) In the case of any individual who, upon filing application therefor on or before the effective date, would (but for the provisions of section 215 (f) (6) of the Social Security Act) have been entitled to a recomputation under subparagraph (A) or (B) of section 215 (f) (2) of such Act as in effect prior to the enactment of this Act, the Secretary shall recompute such individual's primary insurance amount, but only if he files an application therefor or, in case he died before filing such application, an application for monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income is filed. Such recomputation shall be made only as provided in subsection (a) (2) of section 215 of the Social Security Act, as amended by this Act, through the use of a primary insurance amount determined under subsection (d) (6) of such section in the same manner as for an individual to whom subsection (a) (1) of such section, as in effect prior to the enactment of this Act, is applicable; and such recomputation

shall take into account only such wages and self-employment income as would be taken into account under section 215 (b) of the Social Security Act if the month in which the application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed.

(B) In the case of—

(i) any individual who is entitled to a recomputation under subparagraph (A) of section 215 (f) (2) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after the effective date and with respect to whom either less than six of the quarters elapsing after 1950 and prior to the day following the effective date are quarters of coverage or the twelfth month referred to in such subparagraph (A) occurred after the effective date, and

(ii) any individual who is entitled to a recomputation under section 215 (f) (2) (B) of the Social Security Act on the basis of an application filed after the effective date, and with respect to whom less than six of the quarters elapsing after 1950 and prior to the day following the effective date are quarters of coverage or who did not attain the age of seventy-five prior to the day following the effective date,

the recomputation of his primary insurance amount shall be made in the manner provided in section 215 of the Social Security Act, as amended by this Act, for computation of such amount, except that his closing date, for purposes of subsection (b) of such section 215, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation. Such recomputation shall be effective for and after the month in which such application for recomputation is filed. As used in this subparagraph and the succeeding subsections of this section, the "effective date" is the last day of the month following the month in which this Act is enacted.

(C) No individual shall be entitled to a recomputation under section 215 (f) (2) of the Social Security Act as in effect prior to the date of the enactment of this Act unless (i) he had not less than six quarters of coverage in the period after 1950 and prior to January 1, 1955, and (ii) either the twelfth month referred to in subparagraph (A) of such section 215 (f) (2) occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (iii) he meets the other conditions of entitlement to such a recomputation. No individual shall be entitled to a recomputation under subparagraph (A) or (B) of this paragraph if his primary insurance amount has previously been recomputed under either of such subparagraphs.

(6) In the case of an individual who died or became (without the application of section 202 (j) (1) of the Social Security Act) entitled to old-age insurance benefits in 1956 and with respect to whom not less than six of the quarters elapsing after 1954 and prior to the quarter following the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred, are quarters of coverage, his closing date shall be July 1, 1956, instead of the day specified in section 215 (b) (3) of such Act, but only if it would result in a higher primary insurance amount. For the purposes of section 215 (f) (3) (C) of such Act, the determination of an individual's closing date under the preceding sentence shall be considered as a determination of the individual's closing date under section 215 (b) (3) (A) of such Act, and the recomputation provided for by such section 215 (f) (3) (C) shall be made using July 1, 1956, as the closing date, but only if it would result in a higher primary insurance amount. In any such computation on the basis of a July 1, 1956 closing date, the total of his wages and self-employment income after December 31, 1955, shall, if it is in excess of $2,100, be reduced to such amount.

(7) Section 203 (a) of such Act is amended to read as follows:

"(a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual is more than $50 and exceeds (1) 80 per centum of his average monthly wage, or (2) one and one-half times his primary insurance amount, whichever is the greater, such total of benefits shall, after any deductions under this section, be reduced to 80 per centum of his average monthly wage or to one and one-half times his primary insurance amount, whichever is the greater, but in no case to less than $50; except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits, after any deductions

under this section, shall not be reduced to less than 80 per centum of the sum of the average monthly wages of all such insured individuals. In any case in which the total of the benefits referred to in the preceding sentence, after reduction (if any) thereunder, is more than $200, such total shall, notwithstanding the provisions of such sentence, be reduced to $200. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased."

(8) In the case of an individual who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits or died prior to the day following the effective date, the provisions of section 215 (f) (3) as in effect prior to the enactment of this Act shall be applicable as though this Act had not been enacted.

(f) (1) The amendments made by the preceding subsections, other than subsection (b) and paragraphs (1), (2), (3), and (4) of subsection (e), shall (subject to the provisions of paragraph (2) and notwithstanding the provisions of section 215 (f) (1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for months after, the effective date.

(2) (A) The amendment made by subsection (b) (2) shall be applicable only in the case of monthly benefits and the lump-sum death payment based on the wages and self-employment income of an individual (i) who does not become eligible for benefits under section 202 (a) of the Social Security Act until after the effective date, or (ii) who dies after such effective date and without becoming eligible for benefits under such section 202 (a), or (iii) who is or has been entitled to have his primary insurance amount recomputed under section 215 (f) (2) of the Social Security Act, as amended by subsection (e) (2) of this section, or under subsection (e) (5) (B) of this section, or (iv) with respect to whom not less than six of the quarters elapsing after June 1953 are quarters of coverage (as defined in such Act), or (v) who files, after the effective date, an application for a disability determination which is accepted as an application for purposes of section 216 (i) of such Act, or (vi) who dies after the effective date and whose survivors are (or would, but for the provisions of section 215 (f) (7) of such Act, be) entitled to a recomputation of his primary insurance amount under section 215 (f) (4) (A) of such Act, as amended by this Act. For purposes of the preceding sentence an individual shall be deemed eligible for benefits under section 202 (a) of the Social Security Act for any month if he was, or would upon filing application therefor in such month have been, entitled to such benefits for such month.

(B) In the case of any individual entitled to old-age insurance benefits under section 202 (a) of the Social Security Act who was or, upon filing application therefor, would have been entitled to such benefits for the month in which the effective date occurs, to whom subparagraph (A) is inapplicable, and with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, recompute the primary insurance amount of such individual but only upon the filing of an application, after the effective date, by him or, if he dies without filing such an application, by any person entitled to monthly survivors benefits under section 202 of such Act on the basis of such individual's wages and self-employment income. Such recomputation shall be made in the manner provided in section 215 of the Social Security Act for computation of such individual's primary insurance amount, except that the provisions of subsection (f) of such section (other than paragraph (3) (C) thereof) shall not be applicable for purposes of such computation, and except that his closing date, for purposes of subsection (b) of such section, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he died without filing such application, the month in which he died. Such recomputation shall be effective for and after the month in which the application therefor was filed by such individual or if such application was filed by a person entitled to monthly survivors benefits under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income, for and after the first month for which such person was entitled to such survivors benefits. No such recomputation of an individual's primary insurance amount shall be effective unless it results in a higher primary insurance amount for him; nor shall any such recomputation of an individual's primary insurance amount be effective if such amount has previously been recomputed under this subsection.

(3) The amendments made by subsections (b) (1), (e) (1), and (e) (3) (B) shall be applicable only in the case of monthly benefits based on the wages and self-

employment income of an individual who does not become entitle to old-age insurance benefits under section 202 (a) of the Social Security Act until after the effective date, or who dies after the effective date without becoming entitled to such benefits, or who files an application after the effective date and is entitled to a recomputation under paragraph (2) or (4) of section 215 (f) of the Social Security Act, as amended by this Act, or who is entitled to a recomputation under paragraph (2) (B) of this subsection, or who is entitled to a recomputation under paragraph (5) of subsection (e).

(4) The amendments made by subsection (e) (2) shall be applicable only in the case of applications for recomputation filed after 1954. The amendment made by subsection (e) (4) shall be applicable only in the case of deaths after 1954.

(5) The amendments made by subparagraph (A) of subsection (e) (3) shall be applicable only in the case of applications for recomputation filed, or deaths occurring, after the effective date.

(6) No increase in any benefit by reason of the amendments made by this section (other than subsection (i)) or by reason of subparagraph (B) of paragraph (2) shall be regarded as a recomputation for purposes of section 215 (f) of the Social Security Act.

(g) Effective with the beginning of the second month following the month in which this Act is enacted, section 2 (c) (2) (B) of the Social Security Act Amendments of 1952 is amended to read as follows:

"(B) The provisions of subparagraph (A) shall cease to apply to the benefit of any individual under title II of the Social Security Act for any month after the month following the month in which the Social Security Amendments of 1954 are enacted."

(h) (1) Where—

(A) an individual was entitled (without the application of section 202 (j) (1) of the Social Security Act) to an old-age insurance benefit under title II of such Act for the month in which the effective date occurs;

(B) one or more other persons were entitled (without the application of such section 202 (j) (1)) to monthly benefits under such title for such month on the basis of the wages and self-employment income of such individual; and

(C) the total of the benefits to which all persons are entitled under such title on the basis of such individual's wages and self-employment income for any subsequent month for which he is entitled to an old-age insurance benefit under such title, would (but for the provisions of this paragraph) be reduced by reason of the application of section 203 (a) of the Social Security Act, as amended by this Act,

then the total of benefits referred to in clause (C) for such subsequent month shall be reduced to whichever of the following is the larger—

(D) the amount determined pursuant to section 203 (a) of the Social Security Act, as amended by this Act; or

(E) the amount determined pursuant to such section, as in effect prior to the enactment of this Act, for the month in which the effective date occurs plus the excess of (i) the amount of his old-age insurance benefit for such month computed as if the amendments made by the preceding subsections of this section had been applicable in the case of such benefit for such month over (ii) the amount of his old-age insurance benefit for such month, or

(F) the amount determined pursuant to section 2 (d) (1) of the Social Security Act Amendments of 1952 for the month in which the effective date occurs plus the excess of (i) the amount of his old-age insurance benefit for such month computed as if the amendments made by the preceding subsections of this section had been applicable in the case of such benefit for such month over (ii) the amount of his old-age insurance benefit for such month.

(2) Where—

(A) two or more persons were entitled (without the application of section 202 (j) (1) of the Social Security Act) to monthly benefits under title II of such Act for the month in which the effective date occurs on the basis of the wages and self-employment income of a deceased individual; and

(B) the total of the benefits to which all such persons are entitled on the basis of such deceased individual's wages and self-employment income for any subsequent month would (but for the provisions of this paragraph) be reduced by reason of the application of the first sentence of section 203 (a) of the Social Security Act, as amended by this Act,

then, notwithstanding any other provision in title II of the Social Security Act, such deceased individual's average monthly wage shall, for purposes of such section 203 (a), be whichever of the following is the larger:

(C) his average monthly wage determined pursuant to section 215 of such Act, as amended by this Act; or

(D) his average monthly wage determined under such section 215, as in effect prior to the enactment of this Act, plus $7.

(i) (1) Section 202 of such Act is amended by inserting after subsection (l) the following new subsection:

"Minimum Survivor's or Dependent's Benefit

"(m) In any case in which the benefit of any individual for any month under this section (other than subsection (a)) is, prior to reduction under subsection (k) (3), less than $30 and no other individual is (without the application of section 202 (j) (1)) entitled to a benefit under this section for such month on the basis of the same wages and self-employment income, such benefit for such month shall, prior to reduction under such subsection (k) (3), be increased to $30."

(2) The first sentence of subsection (i) of such section 202 is amended by inserting ", or an amount equal to $255, whichever is the smaller" after "primary insurance amount".

AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

SEC. 103. (a) (1) Section 203 (b) of the Social Security Act is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following new paragraph:

"(1) in which such individual is under the age of seventy-five and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or".

(2) Such section 203 (b) is amended by inserting after paragraph (1) (inserted by paragraph (1) of this subsection) the following new paragraph:

"(2) in which such individual is under the age of seventy-five and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States; or".

(b) (1) Section 203 (c) of such Act is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following new paragraph:

"(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or".

(2) Such section 203 (c) is amended by inserting after paragraph (1) (inserted by paragraph (1) of this subsection) the following new paragraph:

"(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States."

(c) The second sentence of section 203 (d) of such Act is amended to read as follows: "The charging of earnings to any month shall be treated as an event occurring in such month."

(d) (1) The heading of section 203 (e) of such Act is amended to read "Months to Which Earnings Are Charged".

(2) Paragraphs (1) and (2) of such section 203 (e) are amended to read as follows:

"(1) If an individual's earnings for a taxable year of twelve months are not more than $1,000, no month in such year shall be charged with any earnings. If an individual's earnings for a taxable year of less than twelve months are not more than the product of one-twelfth of $1,000 times the number of months in such year, no month in such year shall be charged with any earnings.

"(2) If an individual's earnings for a taxable year of twelve months are in excess of $1,000, the amount of his earnings in excess of $1,000 shall be charged to months as follows: The first $80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a taxable year of less than twelve months are more than the product of one-twelfth of $1,000 times the number of months in such year,

the amount of such earnings in excess of such product shall be charged to months as follows: The first $80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, shall be charged at the rate of $80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection (b), or in subsection (m), occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than $80."

(3) Paragraph (3) (B) of such section 203 (e) is amended to read as follows:

"(B) For purposes of clause (D) of paragraph (2)—

"(i) An individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Secretary that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing (as provided in paragraph (4) of this subsection) his net earnings or net loss from self-employment for any taxable year. The Secretary shall by regulations prescribe the methods and criteria for determinining whether or not an individual has rendered substantial services with respect to any trade or business.

"(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than $80 until it is shown to the satisfaction of the Secretary that such individual did not render such services in such month for more than such amount."

(4) Such section 203 (e) is further amended by adding at the end thereof the following new paragraphs:

"(4) (A) An individual's earnings for a taxable year shall be (i) the sum of his wages for services rendered in such year and his net earnings from self-employment for such year, minus (ii) any net loss from self-employment for such year.

"(B) In determining an individual's net earnings from self-employment and his net loss from self-employment for purposes of subparagraph (A) of this paragraph and subparagraph (B) of paragraph (3), the provisions of section 211, other than paragraphs (1) and (4) of subsection (c), shall be applicable; and any excess of income over deductions resulting from such a computation shall be his net earnings from self-employment and any excess of deductions over income so resulting shall be his net loss from self-employment.

"(C) For purposes of this subsection, an individual's wages shall be computed without regard to the limitations as to amounts of remuneration specified in subsections (a), (b) (2), (g) (3), (h) (2), and (j) of section 209; and in making such computation services which do not constitute employment as defined in section 210, performed within the United States by the individual as an employee, shall be deemed to be employment as so defined if the remuneration for such services is not includible in computing his net earnings or net loss from self-employment.

"(5) For purposes of this subsection, wages (determined as provided in paragraph (4) (C)) which, according to reports received by the Secretary, are paid to an individual during a taxable year shall be presumed to have been paid to him for services performed in such year until it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. If such reports with respect to an individual show his wages for a calendar year, such individual's taxable year shall be presumed to be a calendar year for purposes of this subsection until it is shown to the satisfaction of the Secretary that his taxable year is not a calendar year."

(c) Section 203 (f) of such Act is amended to read as follows:

"Penalty for Failure To Report Certain Events

"(f) Any individual in receipt of benefits subject to deduction under subsection (b), (c), or (m) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an

event specified in subsection (b) (1) or (c) (1)), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b), (c), or (m), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month."

(f) (1) The heading of section 203 (g) of such Act is amended to read "Report of Earnings to Secretary".

(2) The first sentence of paragraph (1) of section 203 (g) of such Act is amended to read as follows: "If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (4) of subsection (e), in excess of the product of one-twelfth of $1,000 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of his earnings (or wages) for such taxable year."

(3) Paragraph (2) of such section 203 (g) is amended to read as follows:

"(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, for any taxable year and any deduction is imposed under subsection (b) (1) by reason of his earnings for such year, he shall suffer additional deductions as follows:

"(A) if such failure is the first one with respect to which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

"(B) if such failure is the second one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to two times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

"(C) if such failure is the third or a subsequent one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to three times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

except that the number of the additional deductions required by this paragraph with respect to a failure to report earnings for a taxable year shall not exceed the number of months in such year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (1) by reason of his earnings. In determining whether a failure to report earnings in the first or a subsequent failure for any individual, all taxable years ending prior to the imposition of the first additional deduction under this paragraph, other than the latest one of such years, shall be disregarded."

(4) Paragraph (3) of such section 203 (g) is amended by striking out "subsection (b) (2)" each time it appears and inserting in lieu thereof "subsection (b) (1)"; by striking out "net earnings from self-employment" each time it appears and inserting in lieu thereof "earnings"; by striking out "such net earnings" and inserting in lieu thereof "such earnings"; and by adding at the end of such paragraph the following new sentence: "If, after the close of a taxable year of an individual entitled to benefits under section 202 for such year, the Secretary requests such individual to furnish a report of his earnings (as computed pursuant to paragraph (4) of subsection (e)) for such taxable year or any other information with respect to such earnings which the Secretary may specify, and the individual fails to comply with such request, such failure shall in itself constitute justification for a determination that such individual's benefits are subject to deductions under subsection (b) (1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year."

(g) Section 203 of such Act is amended by adding at the end thereof the following new subsection:

Noncovered Remunerative Activity Outside the United States

"(k) An individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services outside the United States as an employee and such services do not constitute employment as defined in section 210, or if he carries on a trade or business outside the United States (other than the performance of service as an employee) the net income or loss of which (1) is not includible in computing his net earnings from self-employment for a taxable year and (2) would not be excluded from net earnings from self-

employment, if carried on in the United States, by any of the numbered paragraphs of section 211 (a). When used in the preceding sentence with respect to a trade or business (other than the performance of service as an employee), the term 'United States' does not include Puerto Rico or the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands); and the term 'trade or business' shall have the same meaning as when used in section 23 of the Internal Revenue Code."

(h) Section 203 of such Act is further amended by adding after subsection (k) (added by subsection (g) of this section) the following new subsection:

"Good Cause for Failure To Make Reports Required

"(l) The failure of an individual to make any report required by subsection (f) or (g) within the time prescribed therein shall not be regarded as such a failure if it is shown to the satisfaction of the Secretary that he had good cause for failing to make such report within such time. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary."

(i) (1) Section 203 of such Act is further amended by adding after subsection (l) (added by subsection (h) of this section) the following new subsection:

"Deductions From Benefits of Dependents' and Survivors' Residing Abroad

"(m) (1) Deductions shall be made from any benefits to which a dependent or survivor is entitled under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 on the basis of the wages and self-employment income of an insured individual until the total of such deductions equals such dependent's or survivor's benefit or benefits under such subsection for any month during no part of which he is a resident of the United States unless—

"(A) such dependent or survivor resided in the United States for three years during the five years immediately preceding the first month for which he was eligible for such benefits or any other monthly benefits under such section 202 based on the wages and self-employment income of such insured individual; or

"(B) such insured individual would be a currently insured individual at the time he became eligible for or entitled to old-age insurance benefits or primary insurance benefits or, if he died without becoming so eligible or entitled, at the time of his death, even if no wages were counted for such purpose except his wages (if any) for service referred to in clause (B) of so much of section 210 (a) as precedes paragraph (1) and his wages (if any) deemed paid pursuant to subsection (a) or (e) of section 217; or

"(C) in the case of a child entitled to child's insurance benefits, such child first became eligible for such benefits (on the basis of the wages and self-employment income of such insured individual) prior to the month in which he attained the age of three and such child was born in the United States.

"(2) For purposes of paragraph (1)—

"(A) an individual shall be deemed eligible for benefits under any subsection of section 202 for any month if he was, or would have been upon filing application therefor in such month, entitled to such benefits for such month;

"(B) a dependent is a wife, husband, or child of an individual entitled to old-age insurance benefits; and

"(C) a survivor is a widow, widower, child, former wife divorced, or parent (of a deceased individual) entitled to monthly benefits under subsection (d), (e), (f), (g), or (h) of section 202."

(2) The first sentence of section 203 (d) of such Act is amended by striking out "(b) and (c)" and inserting in lieu thereof "(b), (c), and (m)".

(3) Section 214 (b) of such Act is amended by striking out "or" before clause (3) and by inserting immediately before the period at the end thereof: ", or (4) for purposes of section 203 (m) only, the first quarter in which he was, or would have been upon filing application therefor in such quarter, entitled to old-age insurance benefits or primary insurance benefits".

(4) Subsections (a) (1) and (e) (1) of section 217 of such Act are each amended by adding at the end thereof the following new sentence: "The provisions of clause (B) shall also not apply for purposes of section 203 (m) (1) (B)."

(5) The amendments made by this subsection shall be applicable in the case of any individual who (A) is entitled to benefits under any subsection of section 202 of the Social Security Act (other than subsection (a) thereof), on the basis of

the wages and self-employment income of an insured individual, after the month in which this Act is enacted, and (B) was not, and would not have been upon filing application therefor in such month, entitled (without the application of subsection (j) (1) of such section 202) to benefits under the same or any other subsection of such section 202 on the basis of such insured individual's wages and self-employment income for the month in which this Act is enacted or any prior month.

(j) (1) The amendments made by subsection (f) and by paragraph (1) of subsection (a) of this section shall be applicable in the case of monthly benefits under title II of the Social Security Act for months in any taxable year (of the individual entitled to such benefits) beginning after December 1954. The amendments made by paragraph (1) of subsection (b) of this section shall be applicable in the case of monthly benefits under such title II for months in any taxable year (of the individual on the basis of whose wages and self-employment income such benefits are payable) beginning after December 1954. The amendments made by subsections (e) and (g), and by paragraph (2) of subsection (a) and paragraph (2) of subsection (b), shall be applicable in the case of monthly benefits under such title II for months after December 1954. The remaining amendments made by this section (other than subsection (h) and (i)) shall be applicable, insofar as they are related to the monthly benefits of an individual which are based on his wages and self-employment income, in the case of monthly benefits under such title II for months in any taxable year (of such individual) beginning after December 1954 and, insofar as they are related to the monthly benefits of an individual which are based on the wages and self-employment income of someone else, in the case of monthly benefits under such title II for months in any taxable year (of the individual on whose wages and self-employment income such benefits are based) beginning after December 1954.

(2) No deduction shall be imposed on or after the date of the enactment of this Act under subsection (f) or (g) of section 203 of the Social Security Act, as in effect prior to such date, on account of failure to file a report of an event described in subsection (b) (1), (b) (2), or (c) (1) of such section (as in effect prior to such date); and no such deduction imposed prior to such date shall be collected after such date. In determining whether, under section 203 (g) (2) of the Social Security Act, as amended by this Act, a failure to file a report is a first or subsequent failure, any failure with respect to a taxable year which began prior to January 1955 shall be disregarded.

Increase in Earnings Counted

Sec. 104. (a) Subsection (a) of section 209 of the Social Security Act is amended to read as follows:

"(a) (1) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual during any calendar year prior to 1955, is paid to such individual during such calendar year;

"(2) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $4,200 with respect to employment has been paid to an individual during any calendar year after 1954, is paid to such individual during such calendar year;".

(b) Paragraph (1) of subsection (b) of section 211 of such Act is amended to read as follows:

"(1) That part of the net earnings from self-employment which is in excess of—

"(A) For any taxable year ending prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(B) For any taxable year ending after 1954, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(c) Clauses (ii) and (iii) of section 213 (a) (2) (B) of such Act are amended to read as follows—

"(ii) if the wages paid to any individual in any calendar year equal $3,600 in the case of a calendar year after 1950 and before 1955, or $4,200 in the case of a calendar year after 1954, each quarter of such year shall (subject to clause (i)) be a quarter of coverage.

"(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals $3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or $4,200 in the case of a taxable year ending after 1954, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;".

(d) Paragraph (1) of section 215 (e) of such Act is amended to read as follows:

"(1) in computing an individual's average monthly wage there shall not be counted the excess over $3,600 in the case of any calendar year after 1950 and before 1955, and the excess over $4,200 in the case of any calendar year after 1954, of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and".

RETROACTIVE APPLICATIONS FOR BENEFITS

SEC. 105. (a) Section 202 (j) (1) of the Social Security Act is amended by striking out "sixth" and inserting in lieu thereof "twelfth".

(b) The amendment made by subsection (a) shall be applicable only in the case of applications for monthly benefits under section 202 of the Social Security Act filed after the month following the month in which this Act is enacted; except that no individual shall, by reason of such amendment, be entitled to any benefit for any month prior to the fifth month before the month in which this Act is enacted.

PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS WITH EXTENDED TOTAL DISABILITY

SEC. 106. (a) (1) Section 213 (a) (2) (A) of the Social Security Act is amended to read as follows:

"(A) The term 'quarter of coverage' means, in the case of any quarter occuring prior to 1951, a quarter in which the individual has been paid $50 or more in wages, except that no quarter any part of which was included in a period of disability (as defined in section 216 (i)), other than the initial quarter of such period, shall be a quarter of coverage. In the case of any individual who has been paid, in a calendar year prior to 1951, $3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled, and excepting any quarter any part of which was included in a period of disability, other than the initial quarter of such period."

(2) Section 213 (a) (2) (B) (i) of such Act is amended to read as follows:

"(i) no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;".

(b) (1) Section 214 (a) (2) of the Social Security Act is amended by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) forty quarters of coverage,

not counting as an elapsed quarter for purposes of subparagraph (A) any quarter any part of which was included in a period of disability (as defined in section 216 (i)) unless such quarter was a quarter of coverage."

(2) Section 214 (b) of such Act is amended by striking out the period and inserting in lieu thereof: ", not counting as part of such thirteen-quarter period any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage."

(c) (1) Section 215 (b) of the Social Security Act (as amended by section 102 (b) (1) of this Act) is amended by inserting after "quarter of coverage" the following: "and any month in any quarter any part of which was included in a period of disability (as defined in section 216 (i)) unless such quarter was a quarter of coverage".

(2) Section 215 (d) of such Act is amended by adding at the end thereof the following new paragraph:

"(5) In the case of any individual to whom paragraph (1), (2), or (4) of this subsection is applicable, his primary insurance benefit shall be computed as provided therein except that, for purposes of paragraphs (1) and (2) and subparagraph (C) of paragraph (4), any quarter prior to 1951 any part of which was included in a period of disability shall be excluded from the elapsed quarters

unless it was a quarter of coverage, and any wages paid in any such quarter shall not be counted."

(3) Section 215 (e) of such Act (as amended by section 102 (e) (1) of this Act) is amended by adding after paragraph (3) the following new paragraph:

"(4) in computing an individual's average monthly wage, there shall not be taken into account (A) any wages paid such individual in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, or (B) any self-employment income of such individual for any taxable year all of which was included in a period of disability."

(d) Section 216 of the Social Security Act is amended by adding after subsection (h) the following new subsection:

"Disability; Period of Disability

"(i) (1) The term 'disability' means (A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, or (B) blindness; and the term 'blindness' means central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purpose of this paragraph as having a central visual acuity of 5/200 or less. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

"(2) The term 'period of disability' means a continuous period of not less than six full calendar months (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)). No such period shall begin as to any individual unless such individual, while under a disability, files an application for a disability determination with respect to such period; and no such period shall begin as to any individual after such individual attains retirement age. Except as provided in paragraph (4), a period of disability shall begin—

"(A) if the individual satisfies the requirements of paragraph (3) on such day,

"(i) on the day the disability began, or

"(ii) on the first day of the one-year period which ends with the day before the day on which the individual files such application,

whichever occurs later;

"(B) if such individual does not satisfy the requirements of paragraph (3) on the day referred to in subparagraph (A), then on the first day of the first quarter thereafter in which he satisfies such requirements.

A period of disability shall end with the close of the last day of the first month in which either the disability ceases or the individual attains retirement age. No application for a disability determination which is filed more than three months before the first day on which a period of disability can begin (as determined under this paragraph) shall be accepted as an application for purposes of this paragraph, and no such application which is filed prior to January 1, 1955, shall be accepted.

"(3) The requirements referred to in clauses (A) and (B) of paragraphs (2) and (4) are satisfied by an individual with respect to any quarter only if he had not less than—

"(A) six quarters of coverage (as defined in section 213 (a) (2)) during the thirteen-quarter period which ends with such quarter; and

"(B) twenty quarters of coverage during the forty-quarter period which ends with such quarter,

not counting as part of the thirteen-quarter period specified in clause (A), or the forty-quarter period specified in clause (B), any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage.

"(4) If an individual files an application for a disability determination after December 1954, and before July 1957, with respect to a disability which began before July 1955, and continued without interruption until such application was filed, then the beginning day for the period of disability, if such individual does not die prior to July 1, 1955, shall be—

"(A) the day such disability began, but only if he satisfies the requirements of paragraph (3) on such day;

"(B) if he does not satisfy such requirements on such day, the first day of the first quarter thereafter in which he satisfies such requirements."

(e) (1) The first sentence of section 217 (a) (1) of the Social Security Act is amended by inserting "and for purposes of section 216 (i) (3)," after "World War II veteran,".

(2) The first sentence of section 217 (e) (1) of such Act is amended by inserting "and for purposes of section 216 (i) (3)," after "veteran (as defined in paragraph (4)),".

(3) Such section 217 (a) (1) and such section 217 (e) (1) of such Act are each amended by inserting ", or for purposes of section 216 (i) (3)" immediately before the period at the end of the last sentence thereof (added by section 103 (i) (4) of this Act).

(f) Section 5 (k) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "and for the purposes of section 203 of that Act" and inserting in lieu thereof "and for the purposes of sections 203 and 216 (i) (3) of that Act".

(g) Title II of the Social Security Act is amended by adding after section 219 the following new sections:

"DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT RIGHTS IMPAIRED

"Sec. 220. None of the provisions of this title relating to periods of disability shall apply in any case in which their application would result in the denial of monthly benefits or a lump-sum death payment which would otherwise be payable under this title; nor shall they apply in the case of any monthly benefit or lump-sum death payment under this title if such benefit or payment would be greater without their application.

"DISABILITY DETERMINATIONS

"Sec. 221. (a) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 216 (i)) and of the day such disability began, and the determination of the day on which such disability ceases, shall, except as provided in subsection (g), be made by a State agency pursuant to an agreement entered into under subsection (b). Except as provided in subsections (c) and (d), any such determination shall be the determination of the Secretary for purposes of this title.

"(b) The Secretary shall enter into an agreement with each State which is willing to make such an agreement under which the State agency or agencies administering the State plan approved under the Vocational Rehabilitation Act, or any other appropriate State agency or agencies, or both, will make the determinations referred to in subsection (a) with respect to all individuals in such State, or with respect to such class or classes of individuals in the State as may be designated in the agreement at the State's request.

"(c) The Secretary may on his own motion review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability and, as a result of such review, may determine that such individual is not under a disability or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency.

"(d) Any individual dissatisfied with any determination under subsection (a), (c), or (g) shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g).

"(e) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the Trust Fund, in advance or by way of reimbursement, as may be mutually agreed upon, the cost to the State of carrying out the agreement under this section. The Secretary shall from time to time certify such amount as is necessary for this purpose to the Managing Trustee, reduced or increased, as the case may be, by any sum (for which adjustment hereunder has not previously been made) by which the amount certified for any prior period was greater or less than the amount which should have been paid to the State under this subsection for such period; and the Managing Trustee, prior to audit or settlement by the General Accounting Office, shall make payment

from the Trust Fund at the time or times fixed by the Secretary, in accordance with such certification.

"(f) All money paid to a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned to the Treasury of the United States for deposit in the Trust Fund.

"(g) In the case of individuals in a State which has no agreement under subsection (b), in the case of individuals outside the United States, and in the case of any class or classes of individuals not included in an agreement under subsection (b), the determinations referred to in subsection (a) shall be made by the Secretary in accordance with regulations prescribed by him.

"REFERRAL FOR REHABILITATION SERVICES

"SEC. 222. It is hereby declared to be the policy of the Congress in enacting the preceding section that disabled individuals applying for a determination of disability shall be promptly referred to the State agency or agencies administering or supervising the administration of the State plan approved under the Vocational Rehabilitation Act for necessary vocational rehabilitation services, to the end that the maximum number of disabled individuals may be restored to productive activity."

(h) Notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, the amendments made by subsections (a), (b), (c), (d), (e), and (f) of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after June 1955, and with respect to lump-sum death payments under such title in the case of deaths occurring after June 1955; but no recomputation of benefits by reason of such amendments shall be regarded as a recomputation for purposes of section 215 (f) of the Social Security Act.

DELETION OF EARNINGS DURING UNLAWFUL RESIDENCE IN THE UNITED STATES

SEC. 107. (a) Section 205 of the Social Security Act is amended by redesignating subsection (n) as subsection (m) and inserting after such subsection the following new subsection:

"(n) (1) Notwithstanding the provisions of subsection (c), wages for service performed by an individual during any period that he is unlawfully in the United States, and self-employment income derived by him during such period, shall be deleted from the Secretary's records for such individual and shall not be counted for purposes of determining entitlement to or the amount of any benefits or lump-sum death payments under section 202.

"(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any individual the Secretary shall make a decision without regard to paragraph (1) unless he has been notified by the Attorney General that such individual was unlawfully in the United States during any period of time. If the Attorney General has made or makes a determination that there was such a period, he shall notify the Secretary thereof, and the Secretary shall certify no further benefits for payment or shall recompute the amount of any further benefits payable on the basis of such individual's wages and self-employment income, as may be required by paragraph (1). Any payment certified by the Secretary on the basis of the wages and self-employment income of such individual prior to receipt of such notice shall not be deemed by reason of this subsection to be an erroneous payment."

(b) The amendment made by subsection (a) shall be applicable in the case of monthly benefits under title II of the Social Security Act for months after, and in the case of lump-sum death payments with respect to deaths occurring after, the month following the month in which this Act is enacted.

TERMINATION OF BENEFITS UPON DEPORTATION

SEC. 108. (a) Section 202 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Termination of Benefits Upon Deportation of Primary Beneficiary

"(m) (1) Notwithstanding any other provision of this title, no monthly benefits under this section shall be paid on the basis of the wages and self-employment income of any individual for any month after such individual has been deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17),

or (18) of section 241 (a) of the Immigration and Nationality Act, and no lump-sum death payment shall be made on the basis of such wages and self-employment income in case of death in or after such month.

"(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any individual, the Secretary shall make a decision without regard to paragraph (1) unless he has been notified by the Attorney General that such individual has been deported under one of the paragraphs of section 241 (a) of the Immigration and Nationality Act emunerated in paragraph (1) of this subsection. If such individual has been or is deported under any such paragraph, the Attorney General shall so notify the Secretary, and the Secretary shall certify no further benefits for payment on the basis of such individual's wages and self-employment income. Any payment certified by the Secretary on the basis of the wages and self-employment income of such individual, prior to receipt of such notice, shall not be deemed by reason of this subsection to be an erroneous payment."

(b) The amendment made by subsection (a) shall be applicable in the case of monthly benefits under title II of the Social Security Act for months after, and in the case of lump-sum death payments with respect to deaths occurring after, the month following the month in which this Act is enacted.

INSURED STATUS

SEC. 109. (a) Section 214 (a) of the Social Security Act is amended by redesignating paragraph (3) as paragraph (4) and inserting after paragraph (2) the following new paragraph:

"(3) In the case of any individual who did not die prior to January 1, 1955, the term 'fully insured individual' means any individual who meets the requirements of paragraph (2) and, in addition, any individual with respect to whom all of the quarters elapsing after 1954 and prior to (i) July 1, 1956, or (ii) if later, the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage."

(b) Subparagraph (B) of section 213 (a) (2) of such Act is amended by inserting "(except wages for agricultural labor)" after "$50 or more in wages" in that part of such subparagraph which precedes clause (i), and by striking out clause (iv) and inserting in lieu thereof the following:

"(iv) if an individual is paid wages for agricultural labor in a calendar year, then, subject to clause (i), (a) the last two quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages are less than $300; (b) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed $300 but are less than $400; and (c) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are $400 or more; and

"(v) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

If, in the case of any individual who has attained retirement age or died and who has been paid wages for agricultural labor in a calendar year, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216 (i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters."

BENEFITS IN CERTAIN CASES OF DEATHS BEFORE SEPTEMBER 1950

SEC. 110. (a) In the case of any individual—

(1) who died prior to September 1, 1950, and was not a fully insured individual (under title II of the Social Security Act), when he died, and

(2) who had not less than six quarters of coverage (as defined in such title), such individual shall, except for purposes of determining entitlement of a former wife divorced to benefits under section 202 (g) of the Social Security Act, be deemed to have died a fully insured individual. Such individual's primary insurance amount shall be computed under subsection (a) (2) of section 215 of such Act, except that, for the purpose of such computation, the provisions of paragraph (4) of subsection (d) of such section (in lieu of the provisions of paragraph (3)

of such subsection) shall be applicable, and except that his closing date shall be the first day of the quarter in which he died. In the case of any such individual, the requirement in subsection (h) of section 202 of such Act that proof of support be filed within two years of the date of his death shall not apply if such proof is filed within two years after the first month following the month in which this Act is enacted.

(b) The provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the Social Security Act for months after the first month following the month in which this Act is enacted, on the basis of applications filed after such month in which this Act is enacted.

ELIMINATION OF REQUIREMENT OF FILING APPLICATION IN CERTAIN CASES

SEC. 111. (a) Section 202 (e) (1) (C) of the Social Security Act is amended to read as follows:

"(C) (i) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died, or

"(ii) was entitled, on the basis of such wages and self-employment income, to mother's insurance benefits for the month preceding the month in which she attained retirement age,".

(b) Section 202 (g) (1) (D) of such Act is amended to read as follows:

"(D) has filed application for mother's insurance benefits, or was entitled to wife's insurance benefits on the basis of the wages and self-employment income of such individual for the month preceding the month in which he died,".

(c) The third sentence of section 202 (i) of such Act is amended by inserting immediately before the period at the end thereof the following: ", or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died".

TECHNICAL AMENDMENTS

SEC. 112. (a) The second sentence of section 204 (a) of the Social Security Act is amended by inserting "and self-employment income" after "wages".

(b) Section 208 of the Social Security Act is amended by inserting ", or as to the amount of net earnings from self-employment derived or the period during which derived," after "as to the amount of any wages paid or received or the period during which earned or paid".

REPEAL OF REQUIREMENT OF CERTAIN DEDUCTIONS

SEC. 113. (a) No deductions shall be made pursuant to subsection (i) of section 203 of the Social Security Act from any benefits for any month after the month in which this Act is enacted; and, effective with the beginning of the month following the month in which this Act is enacted, such subsection is repealed.

(b) No deductions shall be made pursuant to section 907 of the Social Security Act Amendments of 1939 (53 Stat. 1360, 1402), with respect to wages for services performed in 1939, from any benefits for any month after the month in which this Act is enacted; and, effective with the beginning of the month following the month in which this Act is enacted, such section is amended by striking out "1 per centum of any wages paid him for services performed in 1939, and subsequent to his attaining age sixty-five, and".

PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN CASES

SEC. 114. (a) For the purpose of determining the entitlement of any individual to husband's insurance benefits under subsection (c) of section 202 of the Social Security Act on the basis of his wife's wages and self-employment income, the requirements of paragraph (1) (D) of such subsection shall be deemed to be met if—

(1) such individual was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare, from his wife on the first day of the first month (A) for which she was entitled to a monthly benefit under subsection (a) of such section 202, and (B) in which an event described in paragraph (1) or (2) of section 203 (b) of such Act (as in effect before or after the enactment of this Act) did not occur,

(2) such individual has filed proof of such support within two years after such first month, and

(3) such wife was, without the application of subsection (j) (1) of such section 202, entitled to a primary insurance benefit under such Act for August 1950.

(b) For the purpose of determining the entitlement of any individual to widower's insurance benefits under subsection (f) of section 202 of the Social Security Act on the basis of his deceased wife's wages and self-employment income, the requirements of paragraph (1) (E) (ii) of such subsection shall be deemed to be met if—

(1) such individual was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare, from his wife, and she was a currently insured individual, on the first day of the first month (A) for which she was entitled to a monthly benefit under subsection (a) of such section 202, and (B) in which an event described in paragraph (1) or (2) of section 203 (b) of such Act (as in effect before or after the enactment of this Act) did not occur.

(2) such individual has filed proof of such support within two years after such first month, and

(3) such wife was, without the application of subsection (j) (1) of such section 202, entitled to a primary insurance benefit under such Act for August 1950.

(c) For purposes of subsection (b) (1) of this Act, and for purposes of section 202 (c) (1) of the Social Security Act in cases to which subsection (a) of this section is applicable, the wife of an individual shall be deemed a currently insured individual if she had not less than six quarters of coverage (as determined under section 213 of the Social Security Act) during the thirteen-quarter period ending with the calendar quarter in which occurs the first month (1) for which such wife was entitled to a monthly benefit under section 202 (a) of such Act, and (2) in which an event described in paragraph (1) or (2) of section 203 (b) of such Act did not occur.

(d) This section shall apply only with respect to husband's insurance benefits under section 202 (c) of the Social Security Act, and widower's insurance benefits under section 202 (f) of such Act, for months after the first month following the month in which this Act is enacted, and only with respect to benefits based on applications filed after such first month.

Definition

Sec. 115. As used in the provisions of the Social Security Act amended by this title, the term "Secretary" means the Secretary of Health, Education, and Welfare.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

Amendments to Definitions of Self-Employment Income and Related Definitions

Sec. 201. (a) (1) Paragraph (1) of section 481 (a) of the Internal Revenue Code is amended to read as follows:

"(1) There shall be excluded rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares) together with the deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;".

(2) Subsection (a) of section 481 of the Internal Revenue Code is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and any references thereto contained in such code, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such subsection the following new sentence: "In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h), (i) if the gross income derived from such trade or business by such individual is not more than $1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such

trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than $1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than $900, such net earnings may instead, at the option of such individual, be deemed to be $900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the preceding provisions of this subsection."

(b) (1) Paragraph (1) of section 481 (b) of the Internal Revenue Code is amended to read as follows:

"(1) That part of the net earnings from self-employment which is in excess of—

"(A) For any taxable year ending prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(B) For any taxable year ending after 1954, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2) Section 481 (b) of the Internal Revenue Code is amended by inserting after "employees" the following: ", or under an agreement entered into pursuant to the provisions of section 1426 (m) (relating to coverage of citizens of the United States who are employees of foreign subsidiaries of domestic corporations),".

(c) Section 481 (c) of the Internal Revenue Code is amended by striking out paragraphs (4) and (5), by inserting "or" at the end of paragraph (3), and by adding after paragraph (3) the following new paragraph:

"(4) The performance of service by an individual in the exercise of his profession as a physician, or the performance of such service by a partnership."

(d) The amendments made by subdivisions (a), (b), and (c) of this section shall be applicable only with respect to taxable years ending after 1954.

REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

SEC. 202. (a) (1) The first sentence of section 1401 (d) (3) of the Internal Revenue Code is amended to read as follows: "If by reason of an employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first $3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1954, the wages received by him during such year exceed $4,200, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first $4,200 of such wages received."

(2) Section 1401 (d) (3) of the Internal Revenue Code is amended by striking out the period at the end of the second sentence and inserting in lieu thereof "or, in the case of any agreement (or modification) pursuant to section 218 of the Social Security Act which is effective as of a date more than two years prior to the date such agreement (or modification) was agreed to, within a period of two years after the end of the calendar year in which such agreement (or modification) was agreed to by the State and the Secretary of Health, Education, and Welfare."

(b) (1) The heading of section 1401 (d) (4) of the Internal Revenue Code is amended to read as follows: "SPECIAL RULES IN THE CASE OF FEDERAL AND STATE EMPLOYEES AND EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.—"

(2) Section 1401 (d) (4) (A) of the Internal Revenue Code is amended by striking out "$3,600," and inserting in lieu thereof "$3,600 for the calendar year 1951, 1952, 1953, or 1954, or $4,200 for any calendar year after 1954,".

(3) Section 1401 (d) (4) of the Internal Revenue Code is amended by adding at the end thereof the following new subparagraph:

"(C) Employees Of Certain Foreign Corporations.—For the purposes of paragraph (3) of this subsection, in the case of remuneration received during any calendar year after the calendar year 1954, the term 'wages' includes such remuneration for services covered by an agreement made pursuant to section 1426 (m) of this subchapter as would be wages if such services constituted employment; the term 'employer' includes any

domestic corporation which has entered into an agreement pursuant to section 1426 (m); the term 'tax' or 'tax imposed by section 1400' includes, in the case of services covered by an agreement entered into pursuant to section 1426 (m), an amount equivalent to the tax which would be imposed by section 1400, if such services constituted employment as defined in section 1426; and the provisions of paragraph (3) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of the agreement entered into pursuant to section 1426 (m) has been paid to the Secretary or his delegate."

(c) The second sentence of section 1420 (e) of the Internal Revenue Code is amended by inserting "in the case of the calendar year 1951, 1952, 1953, or 1954, or the $4,200 limitation in such section in the case of any calendar year after 1954" after "the $3,600 limitation in section 1426 (a) (1)."

(d) The amendments made by subsections (a) (1), (b) (2), and (c) shall be applicable only with respect to remuneration paid after 1954.

Collection and Payment of Taxes With Respect to Coast Guard Exchanges

Sec. 203. (a) Section 1420 (e) of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: "The provisions of this subsection shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of this subsection the Secretary shall be deemed to be the head of such instrumentality."

(b) The amendment made by subsection (a) shall be come effective January 1, 1955.

Amendments to Definition of Wages

Sec. 204. (a) Paragraph (1) of section 1426 (a) of the Internal Revenue Code is amended by striking out "$3,600" wherever it appears therein and inserting in lieu thereof "$4,200."

(b) (1) Subparagraph (B) of section 1426 (a) (7) of the Internal Revenue Code is amended to read as follows:

"(B) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subparagraph, the term 'domestic service in a private home of the employer' does not include service described in subsection (h) (5);".

(2) Section 1426 (a) (7) of the Internal Revenue Code is amended by adding at the end thereof the following new subparagraph:

"(C) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subparagraph, the term 'service not in the course of the employer's trade or business' does not include domestic service in a private home of the employer and does not include service described in subsection (h) (5);".

(3) Section 1426 (a) (8) of the Internal Revenue Code is amended by inserting "(A)" after "(8)" and by adding at the end thereof the following new subparagraph:

"(B) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor, if the cash remuneration paid in such year by the employer to the employee for such labor is less than $200;".

(c) The amendments made by subsections (a) and (b) shall be applicable only with respect to remuneration paid after 1954.

Amendments to Definition of Employment

Sec. 205. (a) Section 1426 (b) (1) of the Internal Revenue Code is amended to read as follows:

"(1) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended;".

(b) Section 1426 (b) of the Internal Revenue Code is amended by striking out paragraph (3) and redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14), and any references thereto contained in such code, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

(c) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (4) is amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not a citizen of the United States or (ii) the employer is not an American employer".

(d) (1) Subparagraph (B) of the paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (6) is amended—

(A) by inserting "by an individual" after "Service performed," and by inserting "and if such service is covered by a retirement system established by such instrumentality;" after "December 31, 1950,";

(B) by inserting "a Federal Home Loan Bank," after "a Federal Reserve Bank," in clause (ii); and

(C) by striking out "or" at the end of clause (iii), by adding "or" at the end of clause (iv), and by adding at the end of the subparagraph the following new clause:

"(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;".

(2) Subparagraph (C) of such paragraph is amended to read as follows:

"(C) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

"(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner of or to the Congress;

"(ii) in the legislative branch;

"(iii) in a penal institution of the United States by an inmate thereof;

"(iv) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(v) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency; or

"(vi) by any individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system (other than the retirement system of the Tennessee Valley Authority);".

(e) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), other than service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (l) (1), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection, or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to subsection (l) (2), is in effect, if such

service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection, or (ii) who became an employee of such organization after the certificate was filed and after such period began;".

(f) Section 1426 (b) of the Internal Revenue Code is further amended by striking out paragraph (15) and redesignating paragraphs (16) and (17), and any references thereto contained in such code, as paragraphs (14) and (15), respectively.

(g) The amendments made by subsections (c), (d), (e), and (f) shall be applicable only with respect to services performed after 1954. The amendments made by subsections (a) and (b) shall be applicable only with respect to services (whether performed after 1954 or prior to 1955) for which the remuneration is paid after 1954.

AMENDMENT TO DEFINITION OF EMPLOYEE

SEC. 206. (a) Subparagraph (C) of section 1426 (d) (3) of the Internal Revenue Code is amended by striking out ", if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed".

(b) The amendment made by subsection (a) shall be applicable only with respect to services performed after 1954.

WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZATIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY

SEC. 207. (a) Paragraph (1) of section 1426 (l) of the Internal Revenue Code is amended by inserting "(other than service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order)" after "service" in the first sentence, by striking out "two-thirds of its employees" and inserting in lieu thereof "two-thirds of its employees performing service to which this paragraph is applicable" in such sentence, and by deleting so much of such paragraph as follows the first sentence.

(b) Such section 1426 (l) is amended by redesignating paragraphs (2) and (3) as paragraphs (6) and (7), respectively, and by adding after paragraph (1) the following new paragraphs:

"(2) WAIVER OF EXEMPTION IN THE CASE OF MINISTERS.—An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees who are duly ordained, commissioned, or licensed ministers of a church or churches and perform such service in the exercise of their ministry or who are members of a religious order or orders (other than a member of a religious order who has taken a vow of poverty as a member of such order) and perform such service in the exercise of duties required by such order or orders, and that at least two-thirds of such employees concur in the filing of the certificate. Notwithstanding the preceding sentence of this paragraph, a certificate may not be filed by an organization pursuant to such sentence unless (A) such organization does not have any employees with respect to whom a certificate may be filed pursuant to paragraph (1), or (B) such organization has filed a certificate pursuant to paragraph (1) with respect to such employees.

"(3) LIST TO ACCOMPANY CERTIFICATE.—A certificate may be filed pursuant to paragraph (1) or paragraph (2) only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended at any time by filing with the prescribed official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this subchapter.

"(4) EFFECTIVE PERIOD OF WAIVER.—A certificate filed pursuant to paragraph (1) or paragraph (2) shall be in effect (for the purposes of subsection (b) (8) of this section and for the purposes of section 210 (a) (8) of the Social Security Act)—

"(A) in the case of a certificate filed pursuant to paragraph (1), for the period beginning with the first day of the calendar quarter in which

such certificate is filed or the first day of the succeeding calendar quarter, as may be specified in the certificate; or

"(B) in the case of a certificate filed pursuant to paragraph (2), for the period beginning with the first day of whichever of the following calendar quarters may be specified in the certificate: (i) the quarter in which such certificate is filed, or (ii) the succeeding quarter, or (iii) if the certificate is filed during the calendar year 1955, any quarter in such year prior to the quarter in which is it filed;

except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect (as determined under subparagraph (A) or (B), whichever is applicable) or following the calendar quarter in which the certificate was filed, whichever is later, and to whom subparagraph (A) or (B) of subsection (b) (8) of this section would otherwise apply, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed.

"(5) TERMINATION OF WAIVER PERIOD BY ORGANIZATION.—The period for which a certificate filed pursuant to paragraph (1) of this subsection is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years and only if such notice applies also to the period for which the certificate, if any, filed by such organization pursuant to paragraph (2) is effective. The period for which a certificate filed pursuant to paragraph (2) is effective may also be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter."

(c) The paragraph of such section 1426 (l) herein redesignated as paragraph (6) is amended by adding at the end thereof the following new sentence: "If the period covered by a certificate filed pursuant to paragraph (1) of this subsection is terminated under this paragraph, the period covered by the certificate, if any, filed by the same organization pursuant to paragraph (2) shall also be terminated at the same time."

(d) The paragraph of such section 1426 (l) herein redesignated as paragraph (7) is amended to read as follows:

"(7) NO RENEWAL OF WAIVER.—In the event the period covered by a certificate filed pursuant to paragraph (1) or (2) of this subsection is terminated by the organization, no certificate may again be filed by such organization pursuant to such paragraph."

(e) The amendments made by this section shall become effective January 1, 1955. Nothing in this section shall be construed as affecting the validity of any certificate filed prior to January 1, 1955, under section 1426 (l) of the Internal Revenue Code. If a certificate filed during the calendar year 1955 pursuant to section 1426 (l) (2) of the Internal Revenue Code is in effect for any calendar quarter in 1955 which precedes the quarter during which the certificate was filed, the return and payment of the taxes for any such preceding calendar quarter with respect to service which constitutes employment by reason of the filing of such certificate shall be deemed to be timely made if made on or before the last day of the first month following the calendar quarter in which the certificate is filed.

CHANGES IN TAX SCHEDULES

SEC. 208. (a) Section 480 of the Internal Revenue Code is amended by striking out paragraph (5) and inserting in lieu thereof the following:

"(5) In the case of any taxable year beginning after December 31, 1969, and before January 1, 1975, the tax shall be equal to 5¼ per centum of the amount of the self-employment income for such taxable year.

"(6) In the case of any taxable year beginning after December 31, 1974, the tax shall be equal to 6 per centum of the amount of the self-employment income for such taxable year."

(b) Section 1400 of the Internal Revenue Code is amended by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) With respect to wages received during the calendar years 1970 to 1974, both inclusive, the rate shall be 3⅜ per centum.

"(7) With respect to wages received after December 31, 1974, the rate shall be 4 per centum."

(c) Section 1410 of the Internal Revenue Code is amended by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) With respect to wages paid during the calendar years 1970 to 1974, both inclusive, the rate shall be 3¼ per centum.

"(7) With respect to wages paid after December 31, 1974, the rate shall be 4 per centum."

FOREIGN SUBSIDIARIES OF AMERICAN EMPLOYER

SEC. 209. Section 1426 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(m) AGREEMENTS ENTERED INTO BY DOMESTIC CORPORATIONS WITH RESPECT TO FOREIGN SUBSIDIARIES.—

"(1) AGREEMENT WITH RESPECT TO CERTAIN EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary or his delegate shall, at the request of any domestic corporation, enter into an agreement (in such form and manner as may be prescribed by the Secretary or his delegate) with any such corporation which desires to have the insurance system established by title II of the Social Security Act extended to service performed outside the United States in the employ of any one or more of its foreign subsidiaries (as defined in paragraph (7)) by all employees who are citizens of the United States, except that the agreement shall not be applicable to any service performed by, or remuneration paid to, an employee if such service or remuneration would be excluded from the terms 'employment' or 'wages', respectively, as defined in this section, had the service been performed in the employ of the domestic corporation. Such agreement may be amended at any time so as to be made applicable, in the same manner and under the same conditions, in the case of any other foriegn subsidiary of such domestic corporation. Such agreement shall be applicable with respect to citizens of the United States who, after the effective date of the agreement, become employees of and perform services outside the United States for any foreign subsidiary specified in the agreement. Such agreement shall provide—

"(A) That the domestic corporation shall pay to the Secretary or his delegate, at such time or times as the Secretary may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410, including interest and penalties, if the services of employees covered by the agreement had constituted employment as defined in section 1426; and

"(B) That the domestic corporation will comply with such regulations relating to payments and reports as the Secretary may prescribe to carry out the purposes of this subsection."

"(2) EFFECTIVE PERIOD OF AGREEMENT.—An agreement entered into pursuant to paragraph (1) shall be in effect for the period beginning with the first day of the calendar quarter in which such agreement is entered into or the first day of the succeeding calendar quarter, as may be specified in the agreement, but in no case prior to January 1, 1955; except that in case such agreement is amended to include the services performed for any other subsidiary and such amendment is executed after the first month following the first calendar quarter for which the agreement is in effect, the agreement shall be in effect with respect to service performed for such other subsidiary only after the calendar quarter in which such amendment is executed.

"(3) TERMINATION OF PERIOD BY A DOMESTIC CORPORATION.—The period for which an agreement entered into pursuant to paragraph (1) of this subsection is effective may be terminated with respect to any one or more of its foreign subsidiaries by the domestic corporation, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the agreement has been in effect for a period of not less than eight years. The notice of termination may be revoked by the domestic corporation by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner as may be prescribed by regulations. Not-

withstanding any other provision of this subsection, the period for which any such agreement is effective with respect to any foreign subsidiary shall terminate at the end of any calendar quarter in which the domestic corporation, at any time in such quarter, owns 50 per centum or less of the voting stock of such subsidiary.

"(4) TERMINATION OF PERIOD BY SECRETARY.—If the Secretary or his delegate finds that any domestic corporation which entered into an agreement pursuant to this subsection has failed to comply substantially with the terms of such agreement, the Secretary or his delegate shall give such domestic corporation not less than sixty day's advance notice in writing that the period covered by such agreement will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary or his delegate by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the domestic corporation. No notice of termination or of revocation thereof shall be given under this paragraph to a domestic corporation without the prior concurrence of the Secretary of Health, Education, and Welfare.

"(5) NO RENEWAL OF AGREEMENT.—If any agreement entered into pursuant to paragraph (1) of this subsection is terminated in its entirety, the domestic corporation may not again enter into an agreement pursuant to such paragraph. If any such agreement is terminated with respect to any subsidiary, such agreement may not thereafter be amended so as again to make it applicable with respect to such subsidiary.

"(6) DEPOSITS IN TRUST FUND.—All amounts received by the Secretary pursuant to an agreement entered into under paragraph (1) of this subsection shall be regarded for purposes of section 201 of the Social Security Act as taxes collected pursuant to this subchapter.

"(7) OVERPAYMENTS AND UNDERPAYMENTS.—

"(A) If more or less than the correct amount due under an agreement entered into pursuant to this subsection is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be required by regulations prescribed by the Secretary.

"(B) If an overpayment cannot be adjusted under subparagraph (A), the amount thereof shall be paid by the Secretary or his delegate, through the Fiscal Service of the Treasury Department, but only if a claim for such overpayment is filed with the Secretary or his delegate within two years from the time such overpayment was made.

"(8) DEFINITION OF FOREIGN SUBSIDIARY.—For purposes of this subsection and section 210 (a) of the Social Security Act, a foreign subsidiary of a domestic corporation is—

"(A) A foreign corporation more than 50 per centum of the voting stock of which is owned by such domestic corporation; or

"(B) A foreign corporation more than 50 per centum of the voting of which is owned by the foreign corporation described in subparagraph (A)."

"(9) REGULATIONS.—Regulations of the Secretary to carry out the purposes of this subsection shall be designed to make the requirements imposed on domestic corporations with respect to services covered by an agreement entered into pursuant to this subsection the same, so far as practicable, as those imposed upon employers pursuant to subchapter A or E of chapter 9 of this title."

DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS

SEC. 210. Section 23 of the Internal Revenue Code (relating to deductions from gross income) is amended by inserting at the end thereof the following new subsection:

"(gg) PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.—In the case of a domestic corporation, amounts (to the extent not compensated for) paid or incurred pursuant to an agreement entered into under section 1426 (m) with respect to services performed by United States citizens employed by foreign subsidiary corporations. Any reimbursement of any amount previously allowed as a deduction for income tax purposes under this subsection shall be included in gross income for the taxable year in which received."

TITLE III—PROVISIONS RELATING TO PUBLIC ASSISTANCE

Temporary Extension of 1952 Matching Formula

Sec. 301. Section 8 (e) of the Social Security Act Amendments of 1952 (Public Law 590, Eighty-second Congress) is amended by striking out "September 30, 1954" and inserting in lieu thereof "September 30, 1955".

Temporary Extension of Special Provision Relating to State Plans for Aid to the Blind

Sec. 302. Section 344 (b) of the Social Security Act Amendments of 1950 (Public Law 734, Eighty-first Congress) is amended by striking out "June 30, 1955" and inserting in lieu thereof "June 30, 1957".

Technical Amendments

Sec. 303. (a) Sections 3 (b) (1), 403 (b) (1), and 1003 (b) (1) of the Social Security Act are each amended by striking out "one-half" and inserting in lieu thereof "the State's proportionate share".

(b) Section 3 (b) of such Act is amended (1) by striking out "clause (1) of subsection (a)" wherever it appears and inserting in lieu thereof "subsection (a)", and (2) by striking out "increased by five per centum" immediately before the period at the end of paragraph (3).

TITLE IV—MISCELLANEOUS PROVISIONS

Amendments Preserving Relationship Between Railroad Retirement and Old-Age and Survivors Insurance

Sec. 401. (a) Section 1 (q) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "1952" and inserting in lieu thereof "1954".

(b) Section 2 (e) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "six" and inserting in lieu thereof "twelve"; and subsection (5) (j) of such Act, as amended, is amended by striking out "sixth" and inserting in lieu thereof "twelfth". The amendments made by this subsection shall be applicable only in the case of applications for annuities under the Railroad Retirement Act filed after the month following the month in which this Act is enacted; except that no individual shall, by reason of such amendment, be entitled to any annuity for any month prior to the fifth month before the month in which this Act is enacted.

(c) Section 5 (l) (9) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "$3,600" the second time it appears and inserting in lieu thereof "$1,200".

(d) Section 5 (i) (1) (ii) of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(ii) will have been under the age of seventy-five and for which month he is charged with any earnings under section 203 (e) of the Social Security Act or in which month he engaged on seven or more different calendar days in noncovered remunerative activity outside the United States (as defined in section 203 (k) of the Social Security Act); and for purposes of this subdivision the Board shall have the authority to make such determinations and such suspensions of payment of benefits in the manner and to the extent that the Secretary of Health, Education, and Welfare would be authorized to do so under section 203 (g) (3) of the Social Security Act if the individuals to whom this subdivision applies were entitled to benefits under section 202 of such Act;".

Cross References to Redesignated Provisions

Sec. 402. References in the Internal Revenue Code, the Railroad Retirement Act of 1937, as amended, or any other law of the United States to any section or subdivision of a section of the Social Security Act redesignated by this Act, and references in the Social Security Act, the Railroad Retirement Act of 1937, as amended, or any other law of the United States to any section or subdivision of a section of the Internal Revenue Code redesignated by this Act, shall be deemed to refer to such section or subdivision of a section as so redesignated.

Passed the House of Representatives June 1, 1954.

Attest: Lyle O. Snader,
Clerk.

Major differences in the present social-security law and H. R. 9366 as passed by the House of Representatives relating to old-age and survivors insurance and public assistance

(Parenthetical references are to pages in House committee report)

OLD-AGE AND SURVIVORS INSURANCE

I. COVERAGE

Item	Present law	H. R. 9366
		The following coverage provisions are, in general, effective Jan. 1, 1955.
A. Self-employed	Covers all self-employed for years in which they have net earnings from self-employment of $400 or more except:	Same as present law except:
	(1) Specified professional groups—physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, architects, Christian Science practitioners, professional engineers, funeral directors, and certain public accountants.	(1) Covers professional groups now excluded, other than physicians. (Pp. 3; 6–8; 43–44.)
	(2) Farm operators.	(2) Covers farm operators on same basis as other self-employed persons, except for a special provision that makes it easier for low-income farmers who report on a cash basis to compute their net earnings—such farmers whose annual gross earnings are $1,800 or less may report either their actual net earnings or 50 percent of their gross earnings; farmers who

		report on a cash basis and whose annual gross earnings are over $1,800 may report either their actual net earnings or, if their actual net earnings are less than $900, may report $900. (Pp. 2, 3, 6-7, 43-44, 81.)
	(3) Ministers.	(3) Covers self-employed ministers. (Pp. 3, 7-8, 11-12, 42-43.)
	(4) Public officials and employee newsboys under age 18.	(4) Continues exclusion of public officials and employee newsboys under age 18.
	(5) Certain types of income, such as dividends, interest, and rentals from real estate, unless received by dealers in real estate and securities in the course of business dealings.	(5) Continues present exclusion; makes clear that rental income paid in crop shares is excluded. (P. 44.)
	(6) Certain gains and losses, such as sale of capital asset.	(6) Excludes certain coal royalties which are now covered under the Social Security Act but excluded under the Internal Revenue Code. (P. 44.)
B. Employees in commerce and industry.	Covers all employees except:	Same as present law except:
	(1) Fishermen not employed on vessels of more than 10 net tons and not engaged in commercial halibut or salmon fishing.	(1) Covers all fishermen now excluded. (Pp. 4, 13, 43.)
	(2) Domestic service performed by students in local college clubs and fraternities.	(2) No change.
	(3) Certain close relatives working for members of family.	(3) No change.
	(4) Certain students, student nurses, and interns.	(4) No change.
	(5) Newsboys under 18.	(5) No change.
	Certain homeworkers who are not subject to State licensing laws are excluded as employees but may be covered as self-employed persons.	Homeworkers who are not subject to State licensing laws are covered on the same basis as those who are. (Pp. 4, 12-13, 43.)

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I. COVERAGE—Continued

Item	Present law	H. R. 9366
C. Agricultural workers	Covers only those who are "regularly employed" by 1 employer and who receive cash wages of $50 or more in a calendar quarter from that employer. In general, after a farm-worker has worked for 1 employer continuously for an entire calendar quarter, he is "regularly employed" in the next quarter and in succeeding quarters if he works for that employer on a full-time basis for at least 60 days during the quarter.	Covers agricultural workers who are paid $200 or more in cash wages by an employer in a calendar year. (Pp. 2, 4, 9–10, 38–39.)
	The following are specifically excluded from coverage:	
	(1) Mexican contract workers.	(1) No change. (P. 39.)
	(2) Workers in cotton ginning and gum naval stores.	(2) Workers in cotton ginning and gum naval stores covered as agricultural workers. (P. 39.)
	(3) Noncash remuneration for agricultural work.	(3) No change.
D. Domestic workers in private homes.	Covers only those workers in nonfarm homes who work for a single employer on at least 24 days and are paid at least $50 in cash wages by that employer during a calendar quarter.	Covers all domestic workers in nonfarm homes who are paid $50 or more in cash wages by an employer during a calendar quarter. (Pp. 4, 10, 37.)
	Noncash remuneration is excluded.	No change.

E. Work not in the course of the employer's trade or business.	Covers such work if the individual works for a single employer on at least 24 days and is paid at least $50 in cash wages by that employer during a calendar quarter. Noncash remuneration is excluded.	Covers such work if the individual is paid $50 or more in cash wages by an employer during a calendar quarter. (Pp. 4, 10–11, 37–38.) No change.
F. State and local government employees.	Covers State and local government employees (except those specified below) provided individual State enters into an agreement with Federal Government. Following employees are excluded: (1) Employees who are in positions covered under a State or local retirement system (other than the Wisconsin retirement fund) at the time coverage is made applicable to the coverage group to which they belong.	Same as present law except: (1) Makes coverage available, by means of Federal-State agreements to employees in positions covered by a State or local retirement system (except policemen and firemen) provided a referendum is held in which the majority of eligible employees under the retirement system vote and at least ⅔ of those voting vote in favor of coverage. In addition employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees in positions which were covered by a retirement system on the date the agreement was made applicable to the coverage group but which, by reason of action taken prior to the date of enactment of the bill, are no longer covered by a retirement system on the date when the agreement is made applicable to such services may also be covered without a referendum at any time prior to Jan. 1, 1958. (Pp. 4, 8–9, 45–50.)

I. COVERAGE—Continued

Item	Present law	H. R. 9366
F. State and local government employees—Con.	Following employees are excluded—Continued (2) Individuals employed on work relief projects. (3) Patients and inmates of institutions who perform work for such institutions.	Same as present law except—Continued (2) No change. (3) No change.
	Employees of certain State and local transportation systems taken over from private ownership after 1936 are covered compulsorily (no Federal-State agreement necessary).	No change.
	State entering into agreement cannot cover employees in most occupational groups which are specifically excluded by general coverage provisions of the law but has option of covering any agricultural workers and students who are in this category. State also has the option of covering or excluding employees in any class of elective position, part-time positions, and fee-basis positions, and emergency services.	Same as present law except that State could, when bringing in groups of employees other than members of retirement systems, exclude those in positions covered by retirement systems, but ineligible for membership. (P. 48.)
G. Employees of nonprofit organizations.	Covers employees of certain nonprofit organizations which file a certificate showing that the organization waives exemption from social-security tax and that at least ⅔ of employees have signed in favor of coverage, except that the following employees are specifically excluded from coverage:	Same as present law except:

	(1) Ministers and members of religious orders.	(1) Covers ministers and those members of religious orders who are not required to take a vow of poverty, provided the employing organization elects coverage for clergymen and at least 2/3 of the employed clergymen sign a certificate indicating that they favor coverage. (Clergymen could not be covered unless the organization covers its lay employees also; separate certificates required for clergymen and lay employees.) (Pp. 4, 11–12, 41–42, 87–88, 89–90.)
	(2) Persons employed by the organization when coverage begins who do not sign the original, or a supplemental, certificate before the 1st wage report is due.	(2) Persons who were in the employ of the organization when coverage began but who did not sign the original, or a supplemental, certificate before the 1st wage report was due are covered for any quarter after they file a supplemental certificate. (Pp. 89–90.)
	(3) Employees of any organization exempt from income tax earning less than $50 in a calendar quarter.	(3) No change.
II. Federal civilian employees.	Covers employees of the Federal Government and of certain of its instrumentalities who are not covered under a Federal staff retirement system.	Same as present law except covers employees of all Federal instrumentalities who are not covered by another retirement system. In addition specific provisions would cover employees of Federal home loan banks even though they are under another retirement system, and employees of Coast Guard exchanges. (Pp. 4, 6, 12, 40–41.)

I. COVERAGE—Continued

Item	Present law	H. R. 9366
H. Federal civilian employees—Continued	The following categories of Federal employees are specifically excluded:	The categories of employees listed as being specifically excluded under present law are affected as follows:
	(1) The President, Vice President, and Members of the Congress.	(1) No change.
	(2) Employees in the legislative branch.	(2) No change.
	(3) Temporary employees in the field service of the Post Office Department.	(3) Covered.
	(4) Temporary census-taking employees of the Bureau of the Census.	(4) Covered.
	(5) Employees paid on a contract or fee basis.	(5) Covered.
	(6) Employees whose compensation is nominal—$12-a-year men.	(6) Covered.
	(7) Patients or inmates employed in Federal hospitals, homes, or other institutions.	(7) Patients employed in Federal hospitals, etc., covered, but inmates of penal institutions remain excluded.
	(8) Consular agents in the Foreign Service.	(8) This exclusion deleted, but since consular agents are, by and large, aliens employed outside the United States, they would still be excluded.
	(9) Interns, student nurses, and other students in Federal hospitals.	(9) No change.
	(10) Persons employed for emergency work in disaster situations.	(10) No change.
	(11) Employees under Federal unemployment relief programs.	(11) This exclusion deleted; there are no employees under Federal relief programs at

		present.
	(12) Certain committee and board members.	(12) Covered.
	(13) Persons excluded from the Civil Service Retirement Act because they are subject to another retirement system.	(13) No change, except members of the retirement system of the Tennessee Valley Authority covered.
I. Members of Armed Forces.	Not covered under the regular contributory provisions of the program but granted social security wage credits of $160 per month for active service in the Armed Forces during the World War II period (Sept. 16, 1940–July 24, 1947) and for the postwar period (July 25, 1947–June 30, 1955). These wage credits are not given if benefits are payable to veteran under a Federal program other than those administered by the Veterans' Administration.	Same as present law. (P. 6.)
J. Railroad employees....	Under coordination provisions contained in Railroad Retirement Act, railroad employment covered jointly under railroad retirement and old-age and survivors insurance. In all cases except retirement cases in which the individual had 10 years or more of railroad employment benefits are payable under one program or the other based on combined railroad compensation and old-age and survivors insurance wages. Provisions for financial interchange are such as to place the old-age and survivors insurance trust fund in the same position it would have been in if railroad employment were covered by old-age and survivors insurance.	Amendments made to the Railroad Retirement Act to preserve the present relationship between the 2 programs; otherwise, no change. (P. 94.)

I. COVERAGE—Continued

Item	Present law	H. R. 9366
K. Geographical scope	Covers persons within continental United States, Alaska, Hawaii, Puerto Rico, and Virgin Islands regardless of citizenship or residence except: (1) Nonresident aliens engaged in self-employment. (2) Employees of foreign governments and their instrumentalities. (3) Employees of international organizations entitled to certain privileges under the International Organizations Immunities Act.	Same as present law.
	Coverage in other areas is limited to: (1) American citizens either self-employed or employed by an American employer (except on vessels and aircraft of foreign registry).	Same as present law except: (1) Covers American citizens employed by an American employer on vessels and aircraft of foreign registry (pp. 4, 13, 40). In addition makes coverage available to citizens of the United States employed outside the United States by foreign subsidiaries of American corporations under voluntary agreements between the Federal Government and the parent American company. The domestic corporation could include some or all of its foreign subsidiaries in the agreement; it would have to agree to pay the equivalent of both employer and employee

		taxes on behalf of the subsidiaries included (Pp. 4, 12, 51, 81, 91–93).
	(2) All persons employed on American vessels and aircraft.	(2) No change.

II. CREDITABLE EARNINGS

Item	Present law	H. R. 9366
	All remuneration for services in covered work is covered except:	Same as present law except:
	(1) Earnings in excess of $3,600.	(1) Earnings in excess of $4,200, rather than earnings in excess of $3,600 as in present law, are excluded, effective Jan. 1, 1955. (Pp. 4, 14–15, 71, 84.)
	(2) Certain types of payments for retirement and payments under a plan or system providing benefits on account of sickness or accident disability, etc.	(2) No change.
	(3) Sick pay under certain circumstances.	(3) No change.
	(4) Payment by the employer of the employee tax under the Federal Insurance Contributions Act or under a State unemployment compensation law.	(4) No change.

III. INSURED STATUS

Item	Present law	H. R. 9366
A Fully insured	1 quarter of coverage (acquired at any time after 1936) for every 2 calendar quarters elapsing after 1950 (or after quarter in which age 21 was attained, if later) and before quarter of death or attainment of age 65, whichever first occurs. For persons who died before September 1950, elapsed time is counted from 1936. Minimum requirement 6 quarters of coverage; maximum 40.	See sec. IX for preservation of benefit rights of permanently and totally disabled. Otherwise same as present law except: (1) As alternative to present requirements. Individual fully insured if he has quarters of coverage in all quarters after 1954 and before July 1956 or, if later (i) the quarter of death or (ii) attainment of age 65, whichever occurs first. (Pp. 5; 21–22; 77–78.) (2) Deaths before Sept. 1, 1950. For purposes of survivor benefits (other than for widower or former wife divorced), individual who died before Sept. 1, 1950, with at least 6 quarters of coverage is fully insured. (Pp. 5; 78.)
	Fully insured status qualifies for old-age, dependents, and survivors benefits; both fully and currently insured status required for dependent husbands' and dependent widowers' benefits.	Same as present law.
B. Currently insured	6 quarters of coverage within 13 quarters ending with quarter of death or entitlement to old-age insurance benefits (defined as primary insurance benefits before 1950 amendments).	Adds point of determination: quarter of 1st eligibility for old-age insurance benefits. (See sec. VII.) (Pp. 69–70.)

	Currently insured status qualifies for child's, widowed mother's, and lump-sum benefits.	Same as present law.
C. Quarter of coverage defined.	(1) Quarter in which individual received at least $50 in wages or was credited with at least $100 of self-employment income.	(1) Same as present law.
	(2) Each quarter in any calendar year in which wages are $3,600 or more and each quarter in a taxable year in which combined wages and self-employment income equal $3,600.	(2) After 1954, each quarter in any calendar year in which wages are $4,200 or more, and each quarter in a taxable year in which combined wages and self-employment income equal $4,200. (P. 71.) In addition, provision made for crediting quarters of coverage on the basis of annual amounts of wages received for agricultural labor as follows: $400 or more paid in a calendar year, credited with 4 quarters of coverage; $300 to $399.99, credited with 3 quarters of coverage; $200 to $299.99, credited with 2 quarters of coverage. (Agricultural wages of less than $200 from an employer not covered.) (Pp. 10, 38–39, 78.)
	(3) 4 quarters of coverage credited for minimum $400 of self-employment income for year.	(3) Same as present law.
	(4) No quarter counted as quarter of coverage before it begins, or after the quarter of death.	(4) Same as present law.

IV. BENEFIT CATEGORIES

Item	Present law	H. R. 9366
A. Old age	Payable at age 65 and over to fully insured individual.	No change.
B. Wife	Payable to wife of old-age beneficiary if at least age 65 or regardless of her age if she has in her care a child entitled to benefits on her husband's record.	No change
C. Husband	Payable to dependent husband of old-age beneficiary at age 65 or over if wife currently insured at time of her entitlement and she was furnishing half his support.	No change
D. Child	Payable to unmarried child under age 18 of old-age beneficiary or of individual who died either currently or fully insured, if child deemed dependent or such person.	No change.
E. Widow	Payable at age 65 or over to widow of fully insured worker.	No change.
F. Widower	Payable at age 65 or over to dependent widower of woman who died both fully and currently insured, if she was furnishing at least half his support.	No change.
G. Mother	Payable to widow or former wife divorced of worker who died either fully or currently insured, if she has in her care an entitled child of the worker. Former wife divorced must have been receiving half her support from deceased pursuant to court order or	No change.

	agreement, and the child must be her child entitled to benefits on the former husband's wage record.	
H. Parent	Payable at age 65 or over to parent of deceased fully insured worker, if worker had furnished half or more of parent's support, and was not survived by widow, widower, or child eligible for benefits on his record.	No change.
I. Lump sum	Payable on death of fully or currently insured worker to widow or widower living with the worker at the time of his death, or if no such spouse survives, as reimbursement for funeral expenses, irrespective of the payment of monthly benefits.	No change.

V. BENEFIT AMOUNTS

A. Average monthly wage.	In general, an individual's average monthly wage for computing his monthly old-age insurance benefit amount is determined by dividing the total of his wages and self-employment income after the applicable starting date and up to the applicable closing date, by the number of months involved. Starting dates may be 1936, 1950, or if later, the quarter of attainment of age 22. Closing dates for wages may be 1st day of 2d quarter preceding quarter of death or entitlement to benefits, whichever first occurred. Where either event occurred after individual first	Generally the same as present law, except for the dropout of low years—see C below—and for technical amendments to provide standard annual starting and closing dates for periods over which average monthly wage is computed. Special midyear closing date in 1956 permitted for deaths or entitlements in that year, if individual has 6 quarters of coverage after 1954. Also see the provisions in sec. IX preserving the benefit rights of permanently and totally disabled persons. (Pp. 13, 14, 53, 54, 61–62.)

Item	Present law	H. R. 9366
A. Average monthly wage—Continued	Generally the same as present law, except for the dropout of low years—Continued became eligible for benefits, alternative closing date of 1st day of 2d quarter before the quarter of first eligibility may be used if that will yield a larger benefit. Special closing dates are applicable for self-employment income. The closing date used for the divisor is the later of the wage and self-employment income closing dates. The applicable starting and closing dates used are those which yield the highest benefit amount. The minimum divisor is 18 months. (The average monthly wage is reduced under this method of computation for periods in the elapsed time when the individual is not in covered employment.)	
B. Benefit formula	An individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than 1 method is applicable, the 1 yielding the higher benefit amount will be used. (1) 55 percent of the first $100 of average monthly wage plus 15 percent of the next $200, based on average monthly wage after 1950, or after age 22, if later. (Formula provided	After the close of the month following the month of enactment, an individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than 1 method is applicable, the 1 yielding the highest benefit amount will be used. (Pp. 4–5, 52–58.) (1) 55 percent of the first $110 of average monthly wage plus 20 percent of the next $240, based on average monthly wage after 1950, or after age 22, if later.

	by 1952 amendments.) *Condition:* 6 quarters of coverage after 1950.	(Pp. 4–5, 16.) *Conditions:* (*a*) 6 quarters of coverage after June 1953, or (*b*) First eligible for old-age insurance benefits after effective date, or dies after effective date and before eligible for old-age insurance benefits, provided he has 6 quarters of coverage after 1950.
	(2) 1939 benefit formula (40 percent of 1st $50 of average monthly wage plus 10 percent of next $200, plus 1 percent of the sum thus obtained for each year of coverage prior to 1951, based on average monthly wage after 1936). The amount obtained is increased by the conversion table in present law. See D below.	(2) (*a*) 1952 benefit formula (see present law (1)) with benefit amount increased through conversion table in the bill. *Condition:* 6 quarters of coverage after 1950. (*b*) 1939 benefit formula (see present law (2)) with benefit amount increased through conversion table in the bill. (Pp. 53, 54–57.)
C. Dropout of low years	No provision.	In computing average monthly wage under (1) and (2) (*b*), above, up to 4 years (5 years, if individual has 20 quarters of coverage) of lowest (or no) earnings may be dropped. To be eligible for a dropout under (2) (*b*) must meet conditions specified in (1) (*b*) above, except the one relating to 6 quarters of coverage after 1950. (Pp. 13–14, 15, 54.) The dropout provision is also applicable to benefit recomputations under certain circumstances after the effective date. (Pp. 58 ff.)

V. BENEFIT AMOUNTS—Continued

TABLE 1.—*Illustrative monthly benefits for individual retiring in the future and for his wife under existing law and H. R. 9366*

ASSUMING LEVEL EARNINGS AFTER 1950

Average monthly wage		Present law		H. R. 9366	
On basis of present law	With drop-out	Single	Married [1]	Single	Married [1]
$50	$50	$27.50	[3] $41.30	[4] $32.50	[4] $48.80
100	100	55.00	[3] 80.00	[4] 60.00	[4] 90.00
150	150	62.50	93.80	68.50	102.80
200	200	70.00	105.00	78.50	117.80
250	250	77.50	116.30	88.50	132.80
300	300	85.00	127.50	98.50	147.80
350	350	([5])	([5])	108.50	162.80

49558—54——5

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL

$50	$70	$27.50	[2] $41.30	$38.50	[4] $57.80
100	120	55.00	[3] 80.00	62.50	93.80
150	170	62.50	93.80	72.50	108.80
200	220	70.00	105.00	82.50	123.80
250	270	77.50	116.30	92.50	138.80
300	310	85.00	127.50	100.50	150.80
350	350	([5])	([5])	108.50	162.80

[1] With wife aged 65 or over.

[2] 80 percent maximum may not reduce benefits below $45.

[3] Reduced to 80 percent of average monthly wage.

[4] These amounts produced by the 1952 benefit formula and conversion table; with level average monthly wage amounts below $130, amounts are higher if the conversion table is used. Benefits not reduced below 1½ times primary insurance amount by operation of 80 percent maximum.

[5] Present law includes earnings only up to $300 a month.

V. BENEFIT AMOUNTS—Continued

TABLE 2.—*Illustrative benefit amounts for survivors of insured individuals under existing law and those qualifying in the future under H. R. 9366*

ASSUMING LEVEL EARNINGS AFTER 1950

Average monthly wage	Average monthly wage with dropout	Aged widow or widower [1]		Widow and 1 child [2]		Widow and 2 children		Widow and 3 children	
		Present law	H. R. 9366	Present law	H. R. 9366	Present law	H. R. 9366	Present law	H. R. 9366
$50	$50	$20.70	[3] $30.00	[4] $41.30	[5]*$48.80	[4] $45.00	[5] $50.00	[4] $45.00	[5] $50.00
100	100	41.30	*45.00	[6] 80.00	[7] *90.00	[6] 80.00	[7] *90.00	[6] 80.00	[7] *90.00
150	150	46.90	51.40	93.80	102.80	[6] 120.00	[6] 120.00	[6] 120.00	[6] 120.00
200	200	52.50	58.90	105.00	117.80	140.00	157.20	[6] 160.00	[6] 160.00
250	250	58.20	66.40	116.30	132.80	155.00	177.00	[8] 168.80	[8] 200.00
300	300	63.80	73.90	127.50	147.80	[8] 168.80	197.00	[8] 168.80	[8] 200.00
350	350	([9])	81.40	([9])	162.80	([9])	[8] 200.00	([9])	[8] 200.00

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL

$50	$70	$20.70	[3] $30.00	[4] $41.30	[7] $57.80	[4] $45.00	[7] $57.80	[4] $45.00	[7] $57.80
100	120	41.30	46.90	[6] 80.00	93.80	[6] 80.00	[6] 96.00	[6] 80.00	[6] 96.00
150	170	46.90	54.40	93.80	108.80	[6] 120.00	[6] 136.00	[6] 120.00	[6] 136.00
200	220	52.50	61.90	105.00	123.80	140.00	165.00	[6] 160.00	[6] 176.00
250	270	58.20	69.40	116.30	138.80	155.00	185.00	[8] 168.80	[8] 200.00
300	310	63.80	75.40	127.50	150.80	[8] 168.80	[8] 200.00	[8] 168.80	[8] 200.00
350	350	([9])	81.40	([9])	162.80	([9])	[8] 200.00	([9])	[8] 200.00

[1] Also single surviving parent or child.
[2] Also 2 aged parents.
[3] Application of $30 family minimum.
[4] Application of 80 percent maximum may not reduce benefits below $45.
[5] Application of 80 percent maximum may not reduce benefits below $50.
[6] Reduced to 80 percent of average monthly wage.
[7] Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.
[8] Dollar maximum on benefits.
[9] Maximum average wage under present law is $300.
*These amounts produced by the 1952 benefit formula and the conversion table; with level average monthly wage amounts below $130, the benefit is higher if the conversion table is used.

Item	Present law	H. R. 9366
D. On rolls prior to effective date.	(1) For persons on rolls prior to 1952 amendments whose benefits were computed under 1939 formula, primary insurance amount was determined by means of a conversion table. Examples of the increase in benefits resulting under the conversion table are shown below:	(1) Retired workers on the rolls prior to the effective date of the bill, whether their primary insurance amount was computed by the benefit formula in present law or through the old conversion table, will have their benefits for months following the month after month of enactment increased by a new conversion table as shown below:

Present law:

If primary insurance benefit under 1939 law was—	The present primary insurance amount is—
$10	$25.00
$15	35.00
$20	42.00
$25	52.40
$30	60.80
$35	66.60
$40	72.00
$45 or over	77.10

H. R. 9366:

If present primary insurance amount is—	New primary insurance amount would be—
$25.00	$30.00
$35.00	40.00
$42.00	47.00
$52.40	57.40
$60.80	66.30
$66.60	73.90
$72.00	81.10
$77.10	88.50
$81.00	93.10
$85.00	98.50

(Pp. 4, 15, 17–18, 54–58.)

Item	Present law	H. R. 9366
	(2) Dependents given proportionate increases, subject to family maximum provisions.	(2) Dependents given proportionate increases, subject to family maximum provisions. (P. 18.)

E. Minimum primary insurance amount.	$25	$30, after month following month of enactment. (Pp. 5, 55.)
F. Maximum family benefits.	(1) The maximum amount payable on a single wage record is the lesser of $168.75 or 80 percent of the insured person's average monthly wage. The 80-percent limitation, however, cannot reduce the total family benefits below $45.	(1) Dollar maximum raised to $200. The 80-percent maximum cannot reduce total family benefits below the larger of $50 or 1½ times the primary insurance amount. (Pp. 5, 18, 62.)
	(2) Reductions necessary to bring total family benefits within the applicable limitations are made proportionately against all benefits except the insured worker's benefit, which is never reduced.	(2) Same as present law.
G. Dependents' and survivors' benefits.	(Subject to maximum limitations on total family benefits.)	(Subject to maximum limitations on total family benefits.)
1. Wife or husband of old-age beneficiary.	½ of primary insurance amount.	Same as present law.
2. Child of living old-age beneficiary.	½ of primary insurance amount.	Same as present law.
3. Widow, widower, former wife divorced, or parent of deceased insured person.	¾ of primary insurance amount.	Same as present law, except minimum benefit is $30 if individual is sole beneficiary entitled. (Pp. 5, 18, 65.)
4. Child of deceased insured person.	If only 1 child is entitled, ¾ of primary insurance amount. If more than 1 child entitled, each child gets ½ of primary insurance amount plus an equal share in an additional ¼ of primary insurance amount.	Same as present law, except minimum is $30 if a child is sole beneficiary entitled. (Pp. 5, 18, 65.)
5. Lump-sum death payment.	3 times the primary insurance amount.	Same as present law, except that statutory maximum of $255 is provided. (Pp. 5, 20, 65.)

V. BENEFIT AMOUNTS—Continued

Item	Present law	H. R. 9366
H. Retroactive application for benefits.	Benefits payable retroactively for 6 months prior to month of application.	Retroactive period extended to 12 months for application filed after month following month of enactment (but period may not extend back further than 5 months prior to month of enactment). (Pp. 71–72.)
I. Recomputation of benefits after entitlement.	Recomputation to take account of wages earned in 2 quarters preceding quarter of entitlement or death. (Initial computation based on earnings up to the second quarter preceding the quarter of death or entitlement—beginning of lag period.)	Recomputation to take account of earnings in year of death or entitlement. (Pp. 54, 59, 61.)
	Recomputation of benefit rate if individual has 6 quarters of coverage after 1950 and 12 benefit suspensions on account of work within a 3-year period after August 1950 and after last computation or recomputation.	Recomputation if individual has 6 quarters of coverage after 1950 and $1,000 of earnings in calendar year after 1953 and after individual's last computation or (with certain exceptions) recomputation. Applies also for beneficiaries age 75 and over. (Pp. 5–6, 25, 58.)
	Individuals age 75 and over with 6 quarters of coverage after 1950 eligible for 1 recomputation to base benefits on earnings since 1950.	Restriction deleted. (P. 26.)

VI. RETIREMENT TEST

	1. Applies only to covered work.	1. Applies to noncovered as well as to covered work. (Pp. 5, 21, 65–69.)
	2. Separate tests for employed and self-employed persons.	2. Same annual test of earnings for both employed and self-employed persons. (Pp. 5, 20–21, 65, 66–69.)
	(a) Employed persons: No benefit is payable to a beneficiary under age 75 (or to any dependent drawing on his record) for any month in which he earns wages of more than $75 in covered employment. Penalties imposed for failure to report wages of more than $75 prior to accepting a benefit for the 2d month following the month in which the earnings occurred.	1 month's benefit withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of $80 (or fraction thereof) by which annual earnings from both covered and noncovered employment and self-employment exceed $1,000. However, benefits not withheld for any month during which the individual neither rendered services for wages in excess of $80 nor rendered substantial services in a trade or business.
	(b) Self-employed persons: 1 month's benefit is withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of $75 (or fraction thereof) by which annual covered net earnings exceed $900. However, benefits are not withheld for any month in which the self-employed person did not render "substantial services" in a covered trade or business.	

VI. RETIREMENT TEST—Continued

Item	Present law	H. R. 9366
	2. Separate tests for employed and self-employed persons—Continued (b) Self-employed persons—Continued Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year. Beneficiaries required to file annual reports of net earnings from self-employment in excess of $75 times the number of months in the year. Reports must be filed on or before the 15th day of the 3d month following the close of the year. Penalties imposed for failure to file timely reports. Estimates of net earnings (and other information) may be requested from the beenficiary during the course of the year. Temporary suspensions of benefits may be made during the course of the year, until it is determined whether deductions apply.	2. Same annual test of earnings for both employed and self-employed persons—Continued Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year. Beneficiaries required to file annual reports of earnings in excess of $1,000, or the proportionate amount for taxable years of less than 12 months. Penalties imposed for failure to file timely reports of earnings, unless the failure to file on time was for "good cause." Estimates of earnings (and other information) may be requested from the beneficiary during the course of the year. Temporary suspensions of benefits, similar to those now applicable to the self-employed, may be made during the course of a year until it is determined whether deductions apply. These provisions effective for taxable years beginning after 1954.
	3. No test for noncovered work outside the United States.	3. Test for noncovered work outside the United States. Deductions made from the benefits for any month in which a beneficiary under age 75 engages in a noncovered remunerative activity

		(whether employment or self-employment) outside the United States on 7 or more calendar days. If deductions are made for any month for this reason, deductions also made from the benefits of any dependent drawing benefits on the basis of the individual's wage record. (Pp. 5, 21, 65, 66, 69, 70.) Penalty provisions apply to failure to make timely reports of work on 7 or more days, unless the failure to report on time was due to "good cause." Provisions effective for months after December 1954.
	4. Benefits are not suspended because of work or earnings for months during which the beneficiary is age 75 or over.	4. Same as present law. (Pp. 65, 66.)

VII. DEDUCTIONS FROM BENEFITS OF DEPENDENTS AND SURVIVORS RESIDING ABROAD

	No provision.	Benefits for dependents and survivors not payable for months beneficiary resides outside United States, unless (*a*) beneficiary met certain requirements as to prior residence in the United States, or, (*b*) insured person on whose record the beneficiary is entitled was currently insured at death, first eligibility for old-age insurance benefits or at entitlement on basis of military service wage credits or covered earnings outside the United States. (Pp. 5, 24, 25, 69, 70.)

VIII. DISQUALIFYING PROVISIONS

Item	Present law	H. R. 9366
A. Earnings during unlawful residence in United States.	No provision.	Earnings during periods of unlawful residence as determined by the Attorney General shall not be used in determination of insured status or benefit amount. (Pp. 5, 25, 76–77.)
B. Termination of benefits upon deportation.	No provision.	Benefits payable on individual's record would be terminated upon notification by the Attorney General of the individual's deportation because of illegal entry, conviction of a crime, or subversive activity. (Pp. 5, 25, 77.)

IX. DISABILITY "FREEZE"

Item	Present law	H. R. 9366
A. Effect of provision	No provision. (NOTE.—An inoperative provision similar to disability freeze in H. R. 9366 was included in sec. 3 of Public Law 590, Social Security Act amendments of 1952.)	When an individual for whom a period of disability has been established dies or retires his period of disability will be disregarded in determining his insured status and in figuring any benefits due him or his family. The dropout provision (see sec. V C) will apply after a period of disability has been excluded from consideration. (Pp. 22–24, 72–76.)

B. Eligibility requirements.		(1) An individual must be precluded from engaging in any substantially gainful activity by reason of a physical or mental impairment. The impairment must be medically determinable and one which can be expected to be of long-continued and indefinite duration or to result in death. An individual is disabled, within the meaning of the law, if he is blind as that term is defined. (Pp. 23, 73.) (2) A period of disability cannot be established unless it has lasted at least 6 full calendar months. (Pp. 23, 74.) (3) To be eligible for the freeze, an individual must have acquired at least 20 quarters of coverage out of the last 40 calendar quarters ending with the quarter in which the period of disability begins. In addition he must have acquired 6 quarters of coverage out of the last 13 calendar quarters ending with the quarter in which the period of disability begins. (Pp. 22–23, 74.) (4) He must be alive and still disabled at the time application for a disability freeze is filed. (Pp. 24, 74.)
C. Effective dates		(1) Jan. 1, 1955, is the 1st day on which a disability "freeze" application may be accepted. The individual must be alive, however, on July 1, 1955, to establish a period of disability. (Pp. 24, 74.)

IX. DISABILITY "FREEZE"—Continued

Item	Present law	H. R. 9366
C.—Effective dates—Continued		(2) July 1955 is the 1st month for which an individual can be paid a benefit computed with the exclusion of a period of disability. (Pp. 24, 76.) (3) All applications filed before July 1, 1957, are fully retroactive, insofar as the start of a period of disability is concerned, i. e., the period of disability extends from the earliest date on which the individual was disabled and met the quarters of coverage requirements described in B (3). (Pp. 24, 74.) (4) For applications filed after June 30, 1957, retroactivity of the period of disability is limited to 1 year. (P. 74.)
D. Disability determinations.	--	(1) The Secretary is directed to enter into contractual agreements under which State vocational rehabilitation agencies or other appropriate State agencies will make determinations of disability. (Pp. 23–24, 75.) (2) The Secretary is authorized to make determinations of disability for individuals who are not covered by State agreements. (Pp. 24, 76.)

		(3) The Secretary may, on his own motion, review a State agency determination that a disability exists and may, as a result of such review, find that no disability exists or that the disability began later than determined by the State agency. (Pp.75–76.)
		(4) Any individual who is dissatisfied with a determination, whether made by a State agency or by the Secretary, has the right to a hearing and to judicial review, as provided in present law. (P. 76.)
E. Administrative expenses.	------------	Appropriations are authorized from the trust fund to reimburse State agencies for necessary costs incurred in making disability determinations. (P. 76.)
F. Rehabilitation-------	------------	The policy of Congress is stated that disabled persons applying for the disability freeze be promptly referred to vocational rehabilitation agencies for necessary rehabilitation services. (P. 76.)
G. Military service credits and railroad compensation.	------------	Technical amendments are included to permit using (*a*) wage credits for service in the Armed Forces and (*b*) railroad compensation, for purposes of determining an individual eligibility for a period of disability. (Pp. 74, 75.)

X. FINANCING

Item	Present law				H. R. 9366			
A. Maximum taxable amount.	$3,600 a year.				$4,200 a year after 1954.			
	Years	*Employee*	*Employer*	*Self-employed*	*Years*	*Employee*	*Employer*	*Self-employed*
B. Tax rates	1951–53	1½%	1½%	2¼%	1951–53	Same as present law.		
	1954–59	2	2	3	1954–59	Same as present law.		
	1960–64	2½	2½	3¾	1960–64	Same as present law.		
	1965–69	3	3	4½	1965–69	Same as present law.		
	1970 and thereafter	3¼	3¼	4⅞	1970–74	3½%	3½%	5¼%
					1975 and thereafter	4	4	6
					(Pp. 6, 26–35, 90–91.)			

PUBLIC ASSISTANCE

Item	Present law	H. R. 9366
A. Temporary extension of 1952 matching formula.	Temporary increase in Federal matching shares for State public assistance programs expires Sept. 30, 1954. Under such temporary increase, formula for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is $\frac{4}{5}$ of the 1st $25 plus $\frac{1}{2}$ of the remainder up to a maximum of $55. Under such temporary increase, formula for aid to dependent children is $\frac{4}{5}$ of the 1st $15 plus $\frac{1}{2}$ of the remainder within individual maximums of $30 for the adult, $30 for the 1st child, and $21 for each additional child in a family.	Expiration date postponed until Sept. 30, 1955. (Pp. 6, 35–36, 93.)
B. Temporary extension of special 1950 provisions relating to State aid-to-the-blind plans.	Temporary provision for approval of certain State plans for aid to the blind which do not meet requirements of clause 8 of sec. 1002 (a) of Social Security Act expires June 30, 1955.	Expiration date postponed until June 30, 1957. (Pp. 6, 36, 93.)

The CHAIRMAN. At this point in the record we will include the report of the Bureau of the Budget on H. R. 9366.

(The report referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., June 29, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This will acknowledge your letter of June 4, 1954, requesting the views of the Bureau of the Budget on H. R. 9366, a bill to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

The bill would extend the coverage of the OASI program to approximately 10 million jobs not now covered. The main groups that would be brought in are self-employed farm operators, casual farm and domestic workers, numerous professional groups, and, on an optional basis, employees of State and local governments and ministers and members of religious orders. In addition, the bill provides for an increase in benefits averaging approximately $6 a month and raises the maximum and the minimum benefit. It increases the total annual earnings on which benefits would be computed and contributions paid from $3,600 to $4,200. It would permit exclusion of the lowest 5 years of earnings in computing benefits, thus protecting wage earners against reduced benefits by reason of illness or unemployment over a period of several years, and also allowing newly covered groups to get benefits after the requisite 6 quarters of coverage without being penalized for failure to contribute to the program prior to 1955.

In the case of the disabled, the period during which an individual was under an extended total disability would be excluded in determining both his insured status and his benefit amount. In the case of retired people, the limitation on outside earnings would be raised from $75 a month to $1,000 a year. Several other changes, of a relatively technical character, would also be accomplished by the proposed legislation.

These amendments would carry out the objectives set forth by the President in his special message to the Congress under date of January 14, 1954. In his message, the President stated that during the past year his administration had subjected the Federal social security system to an intensive study which had revealed certain limitations and inequities in the law which should be corrected. Specifically, the provisions recommended by the President were extension of coverage, liberalization of the retirement test, increased benefits, provision of additional benefit credits through raising the wage base to $4,200, a fair basis for computing benefits through elimination of the lowest 4 years of earnings, and the protection of the benefit rights of the disabled through preservation of these rights during periods of unemployment by reason of disability.

All of these Presidential objectives would be carried out by the proposed bill and its enactment would establish the social security system on a more comprehensive, more equitable, and more adequate basis. Accordingly, the Bureau of the Budget recommends the enactment of the portions of H. R. 9366 which pertain to the Old-Age and Survivors Insurance program.

Title III of the bill would extend for 1 year the existing temporary increases in the Federal matching share. In his social security message of January 14, 1954, the President recommended a basic revision of the public assistance matching provisions in order to coordinate the program with old-age and survivors insurance and establish its financing on a sounder basis. H. R. 7200 was introduced in the House to carry out these recommendations. The Bureau of the Budget therefore recommends the enactment of provisions such as those contained in H. R. 7200 in preference to the extension of the present matching provisions.

Sincerely yours,

DONALD R. BELCHER,
Assistant Director.

(The report of the Department of Agriculture, which was subsequently submitted, appears on p. 741.)

The CHAIRMAN. I am glad to see you, Madam Secretary. I hope we have a larger attendance here later, but it is a very busy day.

Secretary HOBBY. I realize that, Mr. Chairman.

The CHAIRMAN. Proceed to take you own time and to it in your own way.

STATEMENT OF OVETA CULP HOBBY, SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Secretary HOBBY. Mr. Chairman, before proceeding with my prepared statement, I should like to indicate for the record that Mr. Nelson A. Rockefeller, Under Secretary, and Mr. Victor Christgau, Director of the Bureau of Old-Age and Survivors Insurance, will participate in the presentation of our testimony.

I would also like to take this opportunity to introduce to you the Commissioner of Social Security, Mr. John W. Tramburg.

Also present, to assist in answering technical questions are Mr. Robert M. Ball, Deputy Director, Bureau of Old-Age and Survivors Insurance, and Mr. Robert J. Myers, Chief Actuary, Social Security Administration.

I appreciate this opportunity to testify on the social security program, and the recommendations made in the President's special message of January 14 for improvement of the program.

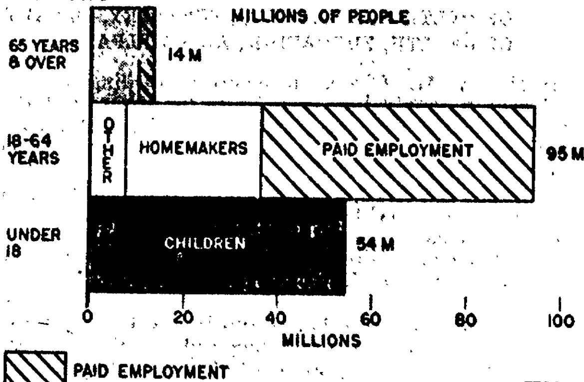
During the past year the Department conducted an intensive study of both the old-age and survivors insurance and public assistance programs, with the objective of developing recommendations to improve these programs to meet more adequately the present-day needs of the American people. H. R. 9366, passed by the House of Representatives on June 1, very substantially carries out the President's recommendations as they affect OASI and some aspects of the interrelationship of the two programs.

Social security has become one of the everyday phrases in the American language. Most people mean by social security the Federal system of old-age and survivors insurance. For millions, this program spells the hope of a secure basic income in future old age. For millions also, it provides the present assurance that in case of the death of the family breadwinner money will be coming in to keep the home intact. Old-age and survivors insurance, as the President has said, is the "cornerstone of the Government's programs to promote the economic security of the individual."

Before discussing the specific provisions of H. R. 9366, I would like to have Mr. Christgau present to you some background charts that will recall the nature and relationship of these programs.

Mr. Christgau——

(The chart entitled "U. S. Population, June 1954" follows:)



STATEMENT OF VICTOR CHRISTGAU, DIRECTOR, BUREAU OF OLD-AGE AND SURVIVORS INSURANCE

Mr. Christgau. Mr. Chairman, this first chart is an orientation chart depicting the population of the United States in June 1954 by age groups in terms of millions of people. There are 14 million persons 65 years and over. In the age group 18 to 64 there are 95 million people, and in the group 18 and under there are 54 million. You will note these cross-hatches here indicate paid employment and you will see that there is a rather substantial group still working after the age of 65.

The Chairman. Those over 65 who are working is the cross-hatching? How many are there?

Mr. Christgau. About 3 million. The homemakers are wives of the workers and they are protected during the lifetime of the worker by survivors insurance.

Senator Carlson. Mr. Chairman, before we leave that, could you tell us how many in that age group of 65 and over are eligible for OASI payments?

Mr. Myers. About 6.7 million.

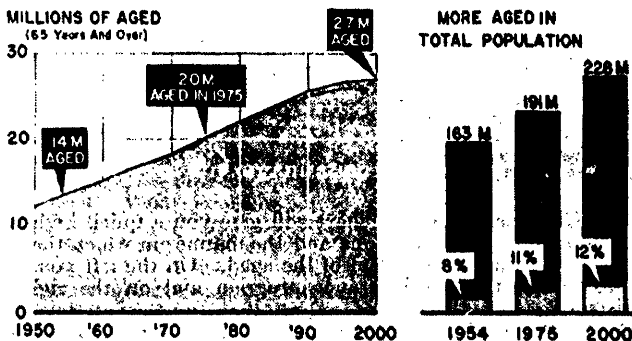
Mr. Ball. About 5 million actually receiving them. The other 1.7 million would get it if they stopped working, but they are still working.

Secretary Hobby. In relation to that question, I think the Senator might be interested in knowing the average age of retirement, even though they are entitled to retire at 65.

The average age is about 69.

The Chairman. That is an interesting figure.

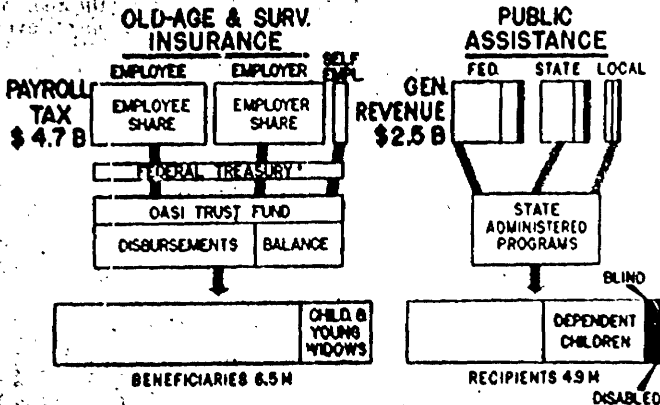
(The chart entitled "Increase of Aged Population" follows:)



Mr. Christgau. This chart shows how the aged population is increasing (from 1950 to 2000) in terms of millions of persons over 65. You will note down here in 1954 there are approximately 14 million aged. They will keep on increasing in total numbers, and by 1975 they will reach a figure of about 20 million. Going to the year 2000, it is estimated that there will be 27 million aged.

Not only are they increasing in total numbers, but also they are increasing in terms of percentage of the total population. In 1954, 8 percent of the total population of 163 million was 65 years and over. In 1975 the percentage will increase to 11 percent, with a total population of 191 million. By the year 2000 it is estimated that it will increase to 12 percent out of a total of 228 million.

(The chart entitled "Income Maintenance Programs" follows:)



Mr. Chairman, the next chart will give you a quick review of the income maintenance programs and the manner in which the Government is handling the problem of the aged. On the left you have the old-age and survivors insurance program and on the right, public assistance.

You will note that one distinguishing difference is that old-age and survivors insurance is entirely a Federal program, financed by a payroll tax. In the fiscal year 1954 that tax will yield approximately $4.7 billion. The tax is borne equally by employees and employers and now is 2 percent of the first $3,600 of a wage earners' covered earnings. It is 3 percent for the self-employed. This revenue goes into the Treasury, and from there into the OASI trust fund. Benefits are paid out of the trust fund, and are based on a formula established in the law. The benefit formula is applied to the average monthly earnings of the worker during the years in which he is in covered employment. Benefit payments go principally to aged workers and their dependents and to the surviving children, widows, and dependent parents of deceased workers.

On the other hand, we have the public-assistance progrem which, as you will recall, is financed by a combination of Federal, State, and local revenues. The total cost in fiscal 1954 out of the general revenue funds is approximately $2.5 billion. Of that $2.5 billion, the Federal share is approximately $1.4 billion.

Senator MARTIN. Mr. Chairman, could I ask a question?

The CHAIRMAN. Senator Martin.

Senator MARTIN. Do you have a breakdown of that figure; local government, State government, and Federal?

Mr. CHRISTGAU. I have the Federal. I wonder if someone else could give the local and State?

The Federal portion is $1,400 million. Out of that $1,400 million, $938 million is the Federal Government's share in financing old-age assistance.

Secretary HOBBY. We do not have it available, Senator, but we would be delighted to supply it for the record.

Senator MARTIN. I would like to have it, because I think the more of it we can get back to the local level the better it is. I am speaking from my experience as a Governor of a State where the State carries the whole load and it has not been very satisfactory. (This discussion was further developed on p. 75.)

Mr. CHRISTGAU. As you will recall, the public-assistance program is administered by State welfare agencies. The assistance is granted to the recipients on the basis of a needs test, following an investigation as to need. The recipients are the aged, the dependent children, the blind, and the disabled.

The number of recipients in June of 1954 is 4.9 million. The total number of beneficiaries under the OASI program in June 1954 is 6.5 million.

Senator BENNETT. May I ask a question, Mr. Chairman?

Of the proportionate relationships between those two forms of old-age assistance, have they been changing significantly?

Mr. CHRISTGAU. Yes; I will show that in the next chart.

Senator BYRD. What coordination is there between the public assistance and the old age and survivors insurance? In other words, do the same people receive both?

Mr. CHRISTGAU. In a limited number of cases there is a supplementation to the old-age and survivors insurance benefits.

The CHAIRMAN. Give us an illustration, please.

Senator BYRD. I would like a fuller explanation.

Mr. CHRISTGAU. The supplementation is most likely to occur with respect to individuals who are getting the minimum OASI amount, $25 a month. You may recall that many of the OASI recipients are in and out of covered employment and therefore they have a rather low average monthly earnings in covered employment. As a result of that, they may be entitled to only the minimum. When the benefit payable is only $25 or $30 or $40 and does not meet the State standard of subsistence, then there is supplementation of that OASI amount.

Secretary HOBBY. If I may comment, sir, there are about 500,000 people who are getting both OASI benefits and OAA supplementation.

Senator BYRD. But the old-age benefits are included as income, are they not, for those receiving public assistance?

Secretary HOBBY. Yes, sir.

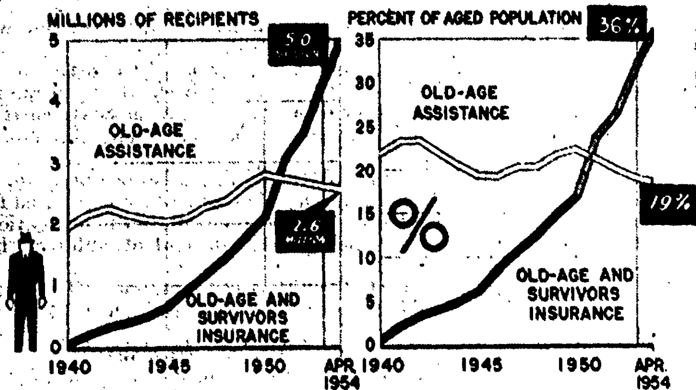
Senator BYRD. That is one of the incomes considered when you give them the test of need.

Secretary HOBBY. Yes, sir.

Senator BYRD. The need test includes the income they get from the OASI.

Secretary HOBBY. They take that into consideration in establishing need.

(The chart entitled "Number of Aged Recipients" follows:)



Mr. CHRISTGAU. The next chart shows how the two programs have grown. We have here in blue the OASI line, and the green is old-age assistance.

The CHAIRMAN. May I inquire, Madam Secretary, whether the charts to be shown here are to be found in the copies of your statement?

Secretary HOBBY. Yes; they are.

Mr. CHRISTGAU. Looking first at the old-age and survivors insurance group, you will recall monthly payments were started in 1940. There was a gradual increase in the number of beneficiaries and you will note here the sharp increase following 1950. That is when Congress enacted new amendments substantially expanding the program and making it possible for a substantially larger number of the aged to participate in the program.

Then there was a gradual increase, until in April of 1954 there was a total of 5 million aged beneficiaries.

Now note old-age assistance. This program started during the depression years—in 1936. There was a gradual increase until the war period and then a decline. From then on there was a gradual increase until it reached a peak in 1950. Then you will note the significant decrease with the expansion of old-age and survivors insurance.

There was a gradual decline in the number of old-age-assistance recipients until in April 1954 it was 2.6 million. The decrease is attributable to a large extent to the replacement of old-age assistance by OASI.

The other part of this chart shows the trend in percent of the aged population. You will note how OASI gradually went on up starting

in 1940 until in April 1954, 36 percent of the aged population was getting old-age and survivors insurance.

You will note that for old-age assistance the percentage was something between 20 and 25 percent when the program started and it declined during the war period, gradually increasing and then declining again percentagewise. In April of 1954 it was 19 percent of the aged population.

Senator CARLSON. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Carlson.

Senator CARLSON. Mr. Christgau, of course we have had 8 years' experience in this program. We have had more than 8 years. It goes back to 1936. It was the intention, of course, when this act was first passed, that eventually the OASI would take over the old-age-assistance program. Can you project that out as to where we might anticipate that might happen?

Mr. CHRISTGAU. The trend is that way and I think later on toward the end of the presentation we will clarify that for you. I think you will appreciate it at that time a little bit better.

The Secretary will now continue with the presentation on page 8 of her statement.

Secretary HOBBY. Before I return to it, may I give Senator Martin the 1952 figures on the financing of old-age assistance, and we will make the 1953 figures available to you.

In 1952 the Federal funds accounted for 53.1 percent. The State funds accounted for 86 percent of the remainder. The local funds accounted for 14 percent of the State and local portion.

Senator MARTIN. That is enough. You need not bother about 1953. That takes care of it.

Secretary HOBBY. The background charts you have seen give a graphic picture of the present size of the old-age and survivors insurance program and its rapid growth. There are in all nearly 70 million persons in the population today who are insured for retirement benefits, survivors' benefits, or both. A program that touches the lives of so many people places upon us a solemn obligation to see that it genuinely serves its intended functions.

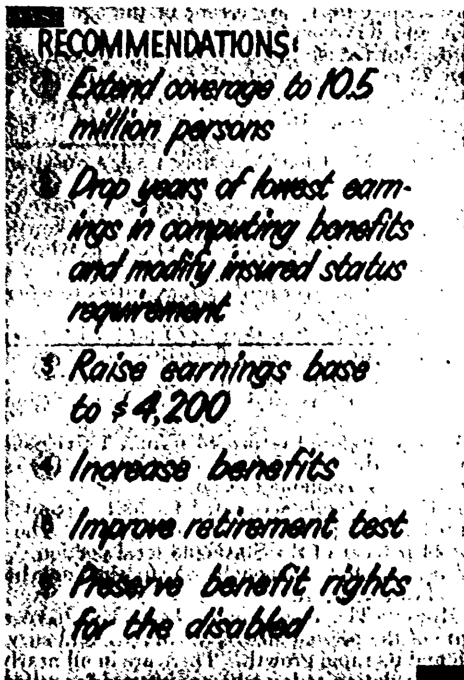
The first conclusion that the Department came to in its study of the old-age and survivors insurance program was the soundness of its basic concepts—that contributions of the workers themselves, and their employers, should support the system, and that benefits should have a relationship to the individual's past earnings. A system based on these principles is in our opinion most conducive to the enhancement of the individual's sense of personal dignity and worth in a free society.

Our confirmation of the value of the basic principles of the OASI system led us to a thorough examination of its specific provisions. We found two general shortcomings:

First. The system as now constituted fails to include many occupations and classes of workers; and

Second. The benefit provisions are, particularly under today's conditions, in certain respects inadequate and inequitable.

(The chart entitled "Recommendations" follows:)



The President's recommendations are designed to remedy these shortcomings. The major provisions of these recommendations are summarized on the chart which will now be displayed. I would like to read them:

1. Extend coverage to 10½ million persons.
2. Drop years of lowest earnings in computing benefits and modify insured status requirement.
3. Raise earnings base to $4,200.
4. Increase benefits.
5. Improve retirement test.
6. Preserve benefit rights for the disabled.

We belive that these provisions constitute a sound plan for the improvement of the old-age and survivors insurance system.

1. EXTEND COVERAGE TO 10½ MILLION PERSONS

Let us first consider the administration's proposal for expanding the OASI program to cover essentially all workers. This proposal was the outgrowth of a study made by a group of outstanding and representative experts in the fields of social security, banking, labor, pri-

vate insurance, industrial pension plans, farm economics, social work, and business. There was unanimous agreement among these consultants on the feasibility of extending old-age and survivors insurance coverage to the groups included in our recommendations. Mr. Chairman, I would like to submit for the record the very excellent report prepared by these experts. You will find that most of their recommendations parallel quite closely the recommendations for these groups submitted by your own advisory council in the 80th Congress.

(The report above referred to is as follows:)

A REPORT

to

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

on

Extension of Old-Age and Survivors Insurance To Additional Groups Of Current Workers

CONSULTANTS ON SOCIAL SECURITY

WASHINGTON : 1953

LETTER OF TRANSMITTAL

June 24, 1953.

HON. OVETA CULP HOBBY,
Secretary of Health, Education, and Welfare,
Washington 25, D. C.

DEAR MRS. SECRETARY:

When you asked us to serve as consultants on social security, you referred to the President's recommendation in his State of the Union Message on February 2 that the "old-age and survivors insurance law should promptly be extended to cover millions of citizens who have been left out of the social-security system." The paragraph of the State of the Union Message in which that recommendation appears is:

"There is urgent need for greater effectiveness in our programs, both public and private, offering safeguards against the privations that too often come with unemployment, old age, illness, and accident. The provisions of the old-age and survivors insurance law should promptly be extended to cover millions of citizens who have been left out of the social-security system. No less important is the encouragement of privately sponsored pension plans. Most important of all, of course, is renewed effort to check the inflation which destroys so much of the value of all social-security payments."

As requested by you, we have given consideration in our study of social security to various alternatives for extending old-age and survivors insurance to additional groups of current workers, both employed and self-employed. In this study we have all served as individuals and the proposals contained in this report do not necessarily reflect the views of any organization with which any consultant may be connected.

There is transmitted herewith a report which includes the proposals which we have developed for your consideration in carrying out the President's recommendation for extending old-age and survivors insurance.

Respectfully submitted.

REINHARD A. HOHAUS,
Chairman, Consultants on Social Security.

MEMBERSHIP OF THE CONSULTANT GROUP

Mr. Reinhard A. Hohaus, Vice President and Chief Actuary, Metropolitan Life Insurance Company, Chairman

Mr. Thomas H. Beacom, Vice President in Charge of Trusts, First National Bank of Chicago

Dr. Eveline M. Burns, Economist and Professor of Social Work, New York School of Social Work, Columbia University

Mr. Robert P. Burroughs, President and Treasurer of R. P. Burroughs Company, Pension and Profit Sharing Plans

Mr. Leonard J. Calhoun, Attorney at Law

Mr. Nelson H. Cruikshank, Director of Social Insurance Activities, American Federation of Labor

Mr. Wallis B. Dunckel, Vice President, Bankers Trust Company

Miss Loula Dunn, Director, American Public Welfare Association

Mrs. Katherine Ellickson, Secretary, Social Security Committee, Congress of Industrial Organizations

Mr. Hugh F. Hall, American Farm Bureau Federation

Dr. Lloyd C. Halvorson, The National Grange

Mr. A. D. Marshall, Manager of Employee Benefits, General Electric Company

EXTENSION OF OLD-AGE AND SURVIVORS INSURANCE TO ADDITIONAL GROUPS OF CURRENT WORKERS

INTRODUCTION AND SUMMARY

As requested by Secretary Hobby, we have given consideration to various alternatives for extending old-age and survivors insurance to additional groups of current workers, both employed and self-employed. It is our understanding from the Secretary that the President wishes us to give our considered collective opinion, respecting each question involved, as individual citizens from varied backgrounds. Our conclusions, therefore, should not be interpreted as those of any organizations with which any of us are connected.

In evaluating the possibility of including each additional group of current workers not now included, we have considered first of all the question of technical feasibility. This has involved consultation with representatives of the Bureau of Internal Revenue as to the practical difficulties with respect to each separate group in collecting the necessary tax and with representatives of the Bureau of Old-Age and Survivors Insurance regarding the practical aspects of determining both eligibility and benefit amount for the groups in question.

We have, however, been forced to recognize that the distinction between what is technically feasible and what is fair, socially desirable, and in the public interest is useful mainly as a device for breaking down the broad subject of social security into divisions that lend themselves to separate study. In actual practice, the various phases and aspects of social insurance such as coverage, benefits, and financing are not separable. In complying with the request that we make recommendations regarding extension of coverage, it has not been possible for us to make a study of certain other features of the old-age and survivors insurance program, the existence of which means that the present plan falls short in certain respects of providing all the various advantages which a contributory old-age and survivors insurance system can have for the country. The objectives of this program as we understand it are:

(*a*) Inclusion of all workers, employed and self-employed;

(*b*) Payment of benefits related to prior earnings and as a matter of right without a needs test; and

(*c*) Financing on a contributory basis.

We have operated on the premise that participation in the old-age and survivors insurance program will prove of real benefit to the members of most groups of current workers and that broader participation therein will be in the public interest. We have, therefore, tried to take into account the question of fairness, justice, and consistent treatment for each group considered, no matter how small the group or what initial difficulties would have to be overcome in administering the program for that group. Beyond this, we have operated on the principle that the solutions chosen should be directed toward (1) maintaining the long-established standards of honesty and objectivity in regard to individual reports and benefit rights; (2) minimizing the possibility of abuses that might undermine public confidence in the old-age and survivors insurance program; and (3) extending coverage on a basis which will not adversely affect the protection of those now covered.

In summary, we might identify our method of approach by stating that with respect to each group we have asked ourselves this question: "Taking into account all problems involved, and the broad lines of policy which the President has indicated he wishes to follow, is it our best judgment that an effort *should* be made to include *this* group?"

* * * * * * *

Under the coverage provisions of the Social Security Act as originally enacted, about six out of ten paid civilian jobs were included. Subsequent amendments to the Social Security Act, including the major revisions made in 1950, extended coverage so that now about eight out of ten paid civilian jobs are included. Although there has been at least one cogent reason why each group of excluded workers has been left out in the past, we believe that it is feasible at this time to extend coverage to most of the jobs now excluded.

Several of the groups for whom we recommend coverage do not raise any particular administrative or technical difficulty not already encountered under present coverage. Coverage for State and local government employees under retirement systems, self-employed professional persons, fishermen, and home workers is almost entirely a matter of policy rather than administrative or technical feasibility. Coverage of some of the other groups does present certain difficulties but we believe these can be overcome in the ways which we suggest in the report. The groups which present some special, but not insuperable, problems include self-

employed farm operators, hired farm workers, and domestic workers.

On the other hand, our recommendations for extension of coverage at this time do not include the blanketing-in of persons already age 65 or over who because they have not become eligible through prior work in covered employment are not receiving insurance benefits. We have excluded this group from consideration in this report because their inclusion would involve very substantial modifications of the present program which would require careful and prolonged study.

Since special studies were initiated last year by Congress in regard to the relationship of the old-age and survivors insurance program to the Railroad Retirement Act and to Federal employee retirement systems, we have not included in this report any recommendations with respect to railroad workers or to employees of the Federal Government and its instrumentalities who are currently excluded. The study of the railroad retirement program and its relation to old-age and survivors insurance was undertaken by the Joint Congressional Committee on Railroad Retirement, established by S. Con. Res. 51 of the Eighty-second Congress. The relation of old-age and survivors insurance to the Federal employee retirement systems is being studied by a Committee on Retirement Policy for Federal Personnel, consisting of the Secretary of the Treasury, the Secretary of Defense, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission, with a Chairman (Mr. H. Eliot Kaplan) appointed by the President. This Committee was authorized by Public Law 555, Eighty-second Congress. Because of these special studies, we are making no proposals at this time concerning railroad workers and none for Federal employees other than one that the "free" wage credits now provided for members of the armed services be extended for a temporary period. It is urgent that this proposal for a limited extension of the $160 "free" wage-credit provision receive early consideration, since the present provision expires at the end of this year. There are no special technical problems connected with this proposal. Finally, in order to complete the report as speedily as possible, we have not given consideration to a few special employment categories listed in Appendix A, and accordingly no recommendations are made for them in this report.

* * * * * * *

We have included in the report a proposal (Number 11) for revising the method for computing the average monthly wage to provide that the three years in which earnings credits were the

lowest (or nonexistent) would ordinarily be disregarded but in no case shall the period over which the average monthly wage is computed be less than the period of time required for the worker to obtain fully insured status.

Our proposal is designed to meet the problem of the newly covered groups, who under existing legislation would in many instances have substantially lower benefits than those already covered because they do not have wage credits in 1951, 1952, and 1953. Our proposal solves this problem of the newly covered groups as part of an overall improvement in the program. It represents a recognition that for the long run the present average monthly wage provision results in reductions in the benefit amount for every year a worker is out of the system. Unemployment or disability for even part of a year can now cause benefit reductions. For example, to get maximum benefits a worker must now be paid at least $3,600 in every year after 1950 or his twenty-second birthday, whichever is later. Any year in which he earned less would result in his getting a benefit lower than the $85 maximum.

By making possible the payment of full-rate benefits where earnings were reduced or nonexistent in as many as three years, the proposal does away with the need for any special provision for the newly covered groups. At the same time it gives to those already covered the advantage of some future protection against the lowering of the average monthly wage because of periods of unemployment, disability, or low earnings. For newly covered persons with no prior quarters of coverage the three years prior to 1954 will be omitted from the computation since such persons will not have had covered earnings in those years; any subsequent years with little or no earnings will count against them. For persons now covered who contributed on earnings in years prior to 1954, on the other hand, up to three years (past or future) in which they have little or no earnings will be omitted from the computation. This recognizes the longer period during which such persons have been under the system.

Our proposal solves the immediate problem arising from extension of coverage. We recognize, however, that it may be desirable for the long run to allow individuals who have been under the program for a considerable period of time to disregard more than three years in computing the average monthly wage. This is particularly important because the groups brought under coverage after 1953 will in general be unable to utilize the three-year provision to offset future periods of low earnings or absence from the system. We are not intending by our present recommendation to prejudge later consideration of broader proposals designed to solve the long-range problem of the adverse effect of periods of low earnings or absence from the system on monthly benefits.

It will be noted that we have not recommended a new start for newly covered groups similar to what was done in 1950. While we think such an arrangement would probably be practical if coverage were extended to substantially all workers now excluded we believe that our proposal is superior to the alternative of a series of new starts.

* * * * * * *

We have not included in this report any recommendations relative to the retirement test. We recognize that extension of coverage will increase the number of anomalous situations which are created by the existing retirement test and, to this extent, intensify the need to find a more satisfactory retirement provision. However, this problem, like the question of benefit levels and methods of financing, raises broad questions relating to the system as a whole, whatever its coverage, and lies beyond the specific subjects we were asked to consider.

Nor have we included any recommendation for changing the definition of "wages," designed to include remuneration (such as tips) other than that paid an employee directly by his employer. However, we recognize that in certain employments the definition contained in the present law omits a part of the remuneration of some workers. We have confined our report to recommendations relating to categories of workers. Legislation aimed at coverage with all remuneration included would need to take into account those types of payment not now considered "wages."

* * * * * * *

Appendix B contains cost estimates for the present old-age and survivors insurance program and for the program expanded to include virtually all gainful employment, prepared by Robert J. Myers, Chief Actuary, Social Security Administration. On the basis of the intermediate cost estimates shown in the appendix, universal coverage without other changes in the system would result in a reduction of about 0.4 in the percentage of payrolls required over the years to meet the costs of old-age and survivors insurance. Comparative figures for the extension of coverage that we propose (we have made no recommendation for coverage of additional categories of Federal civilian employment or for coverage of military service beyond a limited extension of present provisions for "free" wage credits) show a reduction of 0.25 percent of payroll over the years.

The saving occurs first of all because under limited coverage, those who move in and out of covered employment have low average monthly wages in covered employment and receive the advantage of a formula weighted in favor of those with low average wages

(the benefit formula is 55 percent of the first $100 of average monthly wage but only 15 percent above). Under extended coverage, their wages in covered employment will be greater. This means a corresponding increase in contribution income from those persons and their employers, with some but proportionately smaller increase in benefit outgo. This, in turn, means that over time the contribution income will increase more than benefit outgo. Second, extension of coverage means that there will be fewer cases in which earnings from uncovered employment are disregarded in applying the retirement test.

Our proposal for a change in the method of computing the average monthly wage will, on the basis of the intermediate cost estimate, increase long-range costs by about 0.1 percent of payroll. Thus since our proposals for extension of coverage will save about 0.25 percent it is estimated that on balance our proposals taken together will have no significant effect on the percentage of payroll required to meet the costs of the old-age and survivors insurance program.

Summary

In accordance with the President's policy to extend old-age and survivors insurance coverage, we recommend the following:

1. Allow coverage under Federal-State agreements of members of State and local government retirement systems under provisions requiring that all members of a coverage group be brought in if any are covered.
2. Cover self-employed professional persons on the same basis as other self-employed now covered and cover internes by deleting the present exclusion of services of internes in the definition of employment.
3. Cover farm operators on a basis consistent with that on which other self-employed are now covered.
4. Cover cash wages earned in hired farm work regardless of the number of days the individual works for a single employer, and remove the exclusion of workers employed in cotton ginning and the production of gum naval stores.
5. Cover cash wages of domestic workers regardless of the number of days the individual works for a single employer.
6. Allow coverage for ministers and members of religious orders (other than those who take a vow of poverty) on a basis similar to that on which other employees of nonprofit organizations may now be covered.
7. Cover employees engaged in fishing and similar activities who are now excluded.
8. Cover home workers in States without licensing laws on the same basis as those in States with licensing laws.
9. Cover American citizens employed on vessels of foreign registry by American employers on the same basis as other American citizens working outside the United States for American employers.
10. Extend for a limited period the present provision giving "free" wage credits of $160 a month for service in the armed forces.
11. Revise the method for computing the average monthly wage to provide that the three years in which earnings credits were the lowest (or nonexistent) would ordinarily be disregarded, but in no case shall the period over which the average monthly wage is computed be less than the period of time required for the worker to obtain fully insured status.

EXTENSION OF COVERAGE

1. State and Local Government Employees Under Retirement Systems

Allow coverage under Federal-State agreements of members of State and local government retirement systems under provisions requiring that all members of a coverage group be brought in if any are covered.

We believe that the retirement systems of State and local governments, which now cover about 3.3 million workers,[1] perform for Government as employer the same functions as nongovernmental plans perform for private industry and charitable organizations by attracting and holding good employees and, on the other hand, by making it feasible to retire individuals when appropriate. These functions of State and local systems are not accomplished by old-age and survivors insurance alone, but old-age and survivors insurance coverage need not interfere with these functions where the State retirement systems are retained and are appropriately integrated with old-age and survivors insurance.

The extension of old-age and survivors insurance to employees of State and local government retirement systems would close two major gaps in the protection now afforded such persons—the lack of adequate survivor protection and the lack of continuity of protection for those who move in and out of Government service. Probably about four-fifths[2] of the persons covered under State and local retirement systems lack adequate survivor protection. Moreover, existing State and local staff retirement systems are designed primarily for those who continue in the service of a particular unit until retirement; the majority of those who leave the service before retirement age normally forfeit any right to retirement income they may have acquired and merely receive a refund of their own accumulated contributions.[3] Similarly, persons who enter State and local government employment from private industry may lose all or part of the protection they have acquired under old-age and survivors insurance. The extension of old-age and sur-

[1] Survey of retirement coverage of State and local government employees in the last pay period of October 1952, conducted for the Bureau of Old-Age and Survivors Insurance by the Governments Division, Bureau of the Census. The figure of 3.3 million includes 3 million workers actually covered by retirement systems and 300,000 workers who, though not themselves covered, are in positions covered by retirement systems and therefore cannot be covered by old-age and survivors insurance.

[2] Estimated by the Bureau of Old-Age and Survivors Insurance on the basis of partial data for State and local retirement systems.

[3] Information furnished by the Bureau of Old-Age and Survivors Insurance.

vivors insurance to such Government employment would fill these gaps in present protection.

When coverage is extended to State and local employees who are members of staff retirement systems, those systems can be adjusted to supplement the basic old-age and survivors insurance benefits. It has been demonstrated in private systems that such adjustments can be made satisfactorily and without loss in total retirement protection. Since the old-age and survivors insurance program has been established many hundreds of employee retirement systems of private employers and nonprofit organizations have been made supplementary to old-age and survivors insurance without loss of total retirement protection for the employees concerned. In many cases the protection of employees previously covered under retirement plans in private industry and in nonprofit employment has been considerably increased as a result of the extension of old-age and survivors insurance and the continuance of the private plans on an adjusted basis.

While constitutional barriers preclude the Federal Government from imposing an old-age and survivors insurance employer contribution upon State and local governments on a compulsory tax basis, coverage has been made available to certain employees of State and local governments on a contributory basis through Federal-State agreements. At the present time the Federal statute permits Federal-State agreements covering employees of the States or localities who are not in positions covered by a retirement system but it bars the States and localities from bringing in employees who are in such positions. We believe that the Federal law should be changed in order to permit the coverage of these employees as well.

There are two views as to whether, in making coverage available to employee groups who are under public retirement systems, it is appropriate that the Federal Government leave the decision to bring these employees under old-age and survivors insurance to the State and local governments alone, or whether the Federal Government should require that the decision of the State or local government be subject to the concurrence of the employees concerned. Those consultants holding the view that concurrence of the employees should be required believe that the concurrence should be expressed by a substantial majority of those voting. All are agreed that any provision for covering State and local employees should be on a basis that all members of a coverage group be brought in if any are covered.

We recognize that certain groups of State and local employees such as policemen and fire fighters feel that because there are hazardous and special requirements connected with their work

recognition has been accorded these factors in existing retirement plans. Therefore they hold that there should be no extension of old-age and survivors insurance to their groups. In any case a mandatory Federal exclusion limited to these special groups would be preferable to the continued prohibition of coverage for all State and local employees under existing retirement plans.

2. Self-Employed Professional Persons

Cover self-employed professional persons on the same basis as other self-employed now covered and cover internes by deleting the present exclusion of services of internes in the definition of employment.

Present law specifically excludes the following professions from the definition of trade or business in connection with self-employment: Accountants (with some exceptions), architects, chiropractors, Christian Science practitioners, dentists, funeral directors, lawyers, naturopaths, optometrists, osteopaths, physicians, professional engineers, and veterinarians. Many if not all of these exclusions were made at the request of the groups excluded.

There are no special administrative or technical problems involved in extension of coverage to these self-employed persons which are not already encountered in the present coverage of other professional self-employed persons.[4] We propose that coverage be extended to persons in the professional groups now excluded on the same basis as other nonfarm self-employed are covered. Thus anyone with annual net earnings of $400 or more from covered self-employment, including all professional self-employment, would be included. About half a million or so self-employed professional persons would be covered in the course of a year.[5] These professional persons would report their earnings for social-security purposes annually with their income-tax reports, as is done by the self-employed people now covered.

As a corollary to the inclusion of medical practitioners, we propose that the specific exclusion of services of internes in the definition of employment be deleted.

3. Self-employed Farm Operators

Cover farm operators on a basis consistent with that on which other self-employed are now covered.

We propose that farm self-employment be covered on a basis consistent with the provisions now covering other self-employment. This would be accomplished by removing from the definition of "net earnings from self-employment" the present exclusion of income "derived from any trade or business in which, if the trade

[4] Although most professional groups are now excluded, a few—writers, artists, actuaries, psychologists, and so forth—are now covered.

[5] Estimate made by the Bureau of Old-Age and Survivors Insurance on the basis of unpublished data of the National Income Division, Department of Commerce.

or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor." Thus anyone with annual net earnings of $400 or over from self-employment, including the operation of a farm, would be covered.

We are advised that in the course of a year about 5 million self-employed persons are covered by present law and that over 3 million farm operators would be covered by this proposal.[6]

Under the provisions now in effect for coverage of nonfarm self-employed persons, the individual, in computing his net income from self-employment on which his benefits are based, must compute his business expenses. This is required for income-tax purposes, also. In computing net income for social-security purposes the individual is required to follow the same rules, regulations, and definitions as he follows for income-tax purposes. Unless some special provision were made for farm operators, the same procedure would have to be followed by farm operators in computing their income for social-security purposes.

Many farm operators, however, do not have an income-tax liability because after deducting expenses and other deductions from gross income their net income does not exceed their personal and dependents' exemptions. Since their exemptions would have no application for social-security purposes, such farm operators would become liable for the self-employment tax. It would be desirable, therefore, to develop a simplified procedure which could be used by the small-farm operator.

One possibility would be to permit a farmer who meets prescribed conditions to report his income from self-employment for social-security purposes as some fixed percentage (say 50 percent) of his gross receipts from farming. Under this proposal anyone wishing to report his actual expenses in computing his net income would be permitted to do so.

We believe that the details of some such simplified method of reporting should be worked out by the Department of Health, Education, and Welfare and the Treasury Department in consultation with the Department of Agriculture.

4. Hired Farm Workers

Cover cash wages earned in hired farm work regardless of the number of days the individual works for a single employer, and remove the exclusion of workers employed in cotton ginning and the production of gum naval stores.

Under present law, in order to be covered a farm worker must be "regularly employed" by one employer and receive cash wages

[6] The 3 million figure includes almost all farmers who are actually in the business of farming and who derive the major part of their support from farm self-employment. Estimates made by the Bureau of Old-Age and Survivors Insurance on the basis of data from the 1950 Census of Agriculture and the 1949 Consumer Income Survey of the Census Bureau.

of $50 or more in a calendar quarter from that employer. The definition of "regularly employed" is complicated and difficult to apply. In general, after a farm worker has worked for one employer continuously for an entire calendar quarter, he is "regularly employed" in succeeding quarters if he works for that employer on a full-time basis on at least 60 days during the quarter. Records must be kept over a substantial period before it is clear whether or not an individual is covered. In our opinion the "regularly employed" test is an unnecessary complication.

The elimination of this test would result in the course of a year in covering farm wages for about 2.7 million workers who do not now have their farm wages included.[7] Moreover, some of the farm workers now covered would have additional wages included if this proposal were adopted.

To get the widest possible coverage under old-age and survivors insurance it would also be necessary to eliminate the $50 cash wage test in the present law. Such a minimum cash wage test is included only for hired farm workers, domestic workers, and a few smaller categories and does not apply to other employees covered under the system. In principle we believe the elimination of such a test is desirable for all categories of employees. A cash wage test of $50 related to work for a single employer excludes some workers who would benefit from coverage and also prevents some workers now covered from getting credit for all the wages they have earned. To obtain coverage for all agricultural workers who would benefit therefrom would therefore require the elimination of the cash wage test as well as the time tests.

The major problems concerning the elimination of the cash test relate to the administration of the necessary benefit and tax collection provisions, with the attendant necessity for securing the correct names, account numbers and amounts of wages for agricultural workers hired for only brief periods, and the consequent increase in the reporting burden on the farm employer. The Treasury Department has assured us that it believes it would be possible to secure substantial enforcement of the reporting requirements even if the cash test as well as the time tests were eliminated and has indicated that enforcement would be strengthened if some simplification is made in the present system of wage reporting. It has pointed out, however, that administrative costs would be lower if a wage test were retained. In the opinion of the Treasury Department there would be some advantages in adopting a cash wage test based on a shorter period than a calendar quarter. A

[7] Estimated by Bureau of Old-Age and Survivors Insurance on basis of data from Bureau of Agricultural Economics, Survey of the Hired Farm Working Force, 1951.

weekly or monthly test would reduce the period during which an employer had to keep records to determine whether a worker is covered or not. On the other hand, there are many situations in which an employer will know at the time of hire whether a worker will be paid a total of $50 in a quarter.

Since in principle we believe that all agricultural workers should be covered, we urge the Department of Health, Education, and Welfare and the Treasury Department to continue their exploration, in consultation with the Department of Agriculture, of possible methods of accomplishing this objective in the near future without undue burden on the employer.

Under present law workers employed in cotton ginning and in the production of turpentine and other gum naval stores are defined as engaging in "agricultural labor" and are specifically excluded from coverage. Cotton ginning is essentially a commercial service which farmers use in processing their cotton. Many of the owners of the gins are independent businessmen without any farm connections, some are farm cooperatives, some are farm operators who gin only the cotton they produce, and others are farm operators who, in addition to ginning their own cotton, gin cotton for others as a commercial business. The effect of the exclusion of workers who produce gum naval stores is that workers (including sales and administrative workers) employed by a manufacturer of turpentine are not covered by old-age and survivors insurance if the manufacturer produces at least 50 percent of the crude gum processed. We believe that the specific exclusions of these two groups of employees should be eliminated and that the workers should be brought under old-age and survivors insurance. No special administrative or technical problems would be involved in covering these two groups.

The law also excludes from coverage workers from Mexico who are brought to the United States under contract for agricultural work under the Agricultural Act of 1949. While the provisions under which these workers are brought to the United States expire at the end of 1953, they may be extended. The consultants are divided on what should be done in that event.

One group of consultants believes that employers of foreign contract workers in agriculture should be required to pay the same tax as they would if United States citizens or residents were employed, even though the workers themselves may not be required to pay a tax and may not be entitled to benefits. This group believes that the social security program should be designed so as to prevent its providing an incentive to employ such contract workers in preference to United States workers. These consultants further believe that such an incentive would arise from extension of coverage to

farm workers unless employers of foreign contract workers were required to pay the same tax on the wages paid foreign contract workers as on those paid to domestic workers. Others believe that imposition of the employer tax on employers of foreign contract workers, without giving the workers social-security credit, is a matter extraneous to extension of social-security coverage and therefore is a matter which should not be considered by the consultants.

5. Domestic Workers

Cover cash wages of domestic workers regardless of the number of days the individual works for a single employer.

Under present law, in order to be covered, a household worker must work for a single employer on each of 24 days during a calendar quarter and must be paid at least $50 in cash for such services. In general, under this provision a household worker is covered if she works regularly for a single employer on at least two days a week. In our opinion, the day test is an unnecessary complication.

Elimination of the day test would bring under the program somewhere between 100,000 and 200,000 persons in addition to the somewhat less than a million covered under present law, and would also mean additional coverage for perhaps 50,000 to 100,000 workers who are now covered on some but not all of their jobs.[3]

To get the widest possible coverage under old-age and survivors insurance it would also be necessary to eliminate the $50 cash wage test in the present law. Such a minimum cash wage test is included only for domestic workers, hired farm workers, and a few smaller categories and does not apply to other employees covered under the system. In principle we believe the elimination of such a test is desirable for all categories of employees. A cash wage test of $50 related to work for a single employer excludes some workers who would benefit from coverage and also prevents some workers now covered from getting credit for all the wages they have earned. To obtain coverage for all domestic workers who would benefit therefrom would therefore require the elimination of the cash wage test as well as the time tests.

The major problems concerning the elimination of the cash test relate to the administration of the necessary benefit and tax-collection provisions, with the attendant necessity for securing the correct names, account numbers, and amounts of wages for domestic workers hired for only brief periods, and the consequent increase in the reporting burden on the employer. The Treasury Department has assured us that it believes it would be possible to secure substantial enforcement of the reporting requirements, for domes-

[3] Estimated by Bureau of Old-Age and Survivors Insurance on basis of data from unpublished survey of domestic workers included in the current population sample of the Bureau of the Census, June 1951.

tic workers as well as farm workers, even if the cash test were eliminated. However, it believes that administrative costs would be lower if a wage test were retained. In the opinion of the Treasury Department there would be some advantages in adopting a cash wage test based on a shorter period than a calendar quarter. A weekly or monthly test would reduce the period during which an employer had to keep records to determine whether a worker is covered or not. On the other hand, there are many situations in which an employer will know at the time of hire whether a worker will be paid a total of $50 in a quarter.

Since in principle we believe that all domestic workers should be covered, we urge the Department of Health, Education, and Welfare and the Treasury Department to continue their exploration of possible methods of accomplishing this objective in the near future without undue burden on the employer.

6. Ministers and Members of Religious Orders

Allow coverage for ministers and members of religious orders (other than those who take a vow of poverty) on a basis similar to that on which other employees of nonprofit organizations may now be covered.

Approximately 190,000 [9] ministers are excluded from old-age and survivors insurance coverage at any one time. This figure includes not only pastors of churches but also ministers who are employed in other capacities (teaching and administration, for example) by religious organizations or pursuant to an assignment by a church. In addition there are about 150,000 [10] members of religious orders excluded.

In the past, proposals for coverage of ministers have been considered in the context of compulsory coverage, and many religious organizations were opposed to compulsory coverage of ministers. Many, if not most, such organizations probably would not oppose coverage being made available on a voluntary basis, such as we propose, similar to that on which lay employees of religious organizations may now be covered. Under our proposal coverage would be available to ministers on election by the proper administrative unit of the religious organization and by two-thirds of the ministerial employees.

We believe that the lay employees of a religious organization should be allowed coverage even though the organization does not desire to cover its ministers. On the other hand, an organization should not be permitted to cover its ministers unless its lay em-

[9] Number of pastoral clergymen estimated by Bureau of Old-Age and Survivors Insurance on basis of 1950 Population Census Data. Number of nonpastoral clergymen estimated by Bureau of Old-Age and Survivors Insurance on basis of data in National Council of Churches, *Yearbook of American Churches*, 1951.

[10] Estimated by Bureau of Old-Age and Survivors Insurance on basis of data in *National Catholic Directory*, 1952.

ployees are also covered. We believe that the Department of Health, Education, and Welfare and the Treasury Department should consult the various denominations on the details of the coverage provisions for ministers as employees.

We are not now recommending coverage for members of religious orders who are required to take vows of poverty. (Most members of monastic and other religious orders are required to take such vows.) We believe that the Department of Health, Education, and Welfare and the Treasury Department should consult with the denominations involved and give further consideration to the question of whether coverage should be made available to this group. Many of the members of religious orders receive no cash remuneration for their services, and the Bureau of Internal Revenue has ruled for income-tax purposes that even if payment is made for services of a member who has taken a vow of poverty, the payment is not his personal income but is income of the order. Thus if coverage were to be extended to this group it would have to be on the basis of a presumed income. Moreover, the members of religious orders frequently live in communal homes where the older members receive support and continue to perform whatever duties they can.

We are not now recommending coverage of self-employment income which clergymen derive for the performance of religious duties. This, too, seems to us a matter for further exploration by the departments and the denominations.

Under present provisions of law applying to lay employees of religious organizations, once an organization and two-thirds of the employees have elected coverage all new employees of the organization must be covered. There are two views as to how new ministerial employees of an organization which has elected coverage should be treated. One view is that the rule applying to lay employees should be applied to ministers also, on the ground that to do otherwise would permit voluntary election of coverage by the individual ministers. Under a program such as old-age and survivors insurance, which in many cases, especially in the early years and for workers with large families, pays benefits considerably in excess of the value of contributions, the opportunity for individual voluntary coverage is likely to have serious effects on the financing of the program if made available to any large number of people. The group of consultants which holds the view that on this point the rule applying to lay employees should be applied to ministers also is opposed in principle to individual voluntary coverage and does not believe it should be provided for ministers.

The other view is that if any class of individual is to be allowed to elect to stay outside of old-age and survivors insurance coverage this freedom to choose should be extended to ministers and its

effectiveness should not be affected by transfer from one congregation to another. Resistance to coverage on the part of some ministers is considered by them to be a matter of principle. To meet this latter view it has been proposed that if a minister elected to be covered, he would be covered whenever he worked for an organization that had also elected coverage. A minister who had not elected coverage would not be covered no matter what action his employing organization had taken. Those holding this view point out that in any case the minister would not have the election to come into the system unless the employing organization has similarly elected.

7. Employee Fishermen Not Now Covered

Cover employees engaged in fishing and similar activities who are now excluded.

Most fishermen are now covered under old-age and survivors insurance either as employees or as self-employed persons. Of the 160,000 [11] or so people engaged in fishing and similar activities, however, about 30,000 [12] employees are excluded because they are not employed on vessels of more than ten net tons and are not engaged in the catching of halibut or salmon for commercial purposes. Some of the excluded employees work on the smaller vessels; others perform services, such as clam digging, which do not require them to serve on vessels. [13] When old-age and survivors insurance was extended to most employee fishermen in 1939, the Congress excluded these groups at the request of certain employers, primarily employers in the shrimp industry. In 1950 the employers of these workers were themselves brought under old-age and survivors insurance as self-employed persons.

We have been advised that most of the fishermen now excluded from coverage work on a share arrangement, as do most fishermen who are now covered. We are also advised that many fishermen are engaged during part of the year in fishing activities covered by old-age and survivors insurance and part of the year in fishing that is not covered. [14] It appears that the evaluation of a fisherman's share of the catch for social-security purposes should present no problems peculiar to the group working on the smaller vessels. We are not aware of any other technical or administrative reasons for the continued exclusion of this group.

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[11] Fish and Wildlife Service, Department of the Interior: *Fishing Statistics of the United States, 1949.*

[12] Estimate made by the Bureau of Old-Age and Survivors Insurance on the basis of data from the Fish and Wildlife Service, Department of the Interior.

[13] The exclusion in question reads as follows: "Service performed . . . in . . . the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, seaweeds, or other aquatic forms of animal and vegetable life . . . except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than 10 net tons . . ."

[14] Information furnished by the Bureau of Old-Age and Survivors Insurance.

8. Home Workers

Cover home workers in States without licensing laws on the same basis as those in States with licensing laws.

Home workers who have the status of employees under the usual common-law rules applicable in determining employer-employee relationship are covered in all States. At present home workers in States with licensing laws who do not have employee status under usual common-law rules are also considered employees for purposes of coverage under old-age and survivors insurance if they meet the following conditions:

1. that the work be performed at home according to specifications of the person for whom it is performed;
2. that the work be performed on materials or goods furnished by such person;
3. that the worker be paid cash wages of $50 or more during a calendar quarter for his services for the particular employer;
4. that the services as a home worker be subject to licensing requirements under State law.

Only 15 States have licensing laws. Moreover, since some of the State licensing laws are not generally applicable to all home workers, even home workers meeting the other conditions listed above for coverage as employees are not necessarily covered as employees in those States.

We propose that home workers in States without licensing laws be covered on the same basis as those in States with licensing laws, so that employee coverage will be extended to home workers who meet the other conditions for coverage now in the statute, irrespective of the State in which the individual is located. If the $50 quarterly cash wage test now imposed as a condition of coverage of domestic and farm workers is removed, we would propose that it also be removed from the above conditions for home workers. Home workers who would not have employee coverage would continue to be subject to the self-employment coverage provisions on the same basis as other self-employed persons.

9. American Seamen Employed on Foreign-Flag Vessels by American Employers

Cover American citizens employed on vessels of foreign registry by American employers on the same basis as other American citizens working outside the United States for American employers.

The 1950 amendments extended old-age and survivors insurance coverage to most United States citizens working outside the United States for American employers. The law as it existed prior to the 1950 amendments, however, excluded from coverage seamen work-

ing outside the United States on vessels of foreign registry, and, possibly through an oversight, this exclusion was not amended, so that the provision covering American citizens who work outside the United States for American employers did not extend coverage to American seamen working for American employers on vessels of foreign registry. While there are few people affected by this exclusion, it would seem desirable to remove the exclusion and treat all American citizens employed outside the United States on a consistent basis.

The definition of "American employer" now contained in present law, which would be applied in determining coverage on vessels of foreign registry, includes an individual who is a resident of the United States, a partnership if two-thirds or more of the partners are residents of the United States, a trust if all of the trustees are residents of the United States, or a corporation organized under the laws of the United States or any State. The only seamen who would be covered would be those employed by such "American employers." We are advised by the Treasury Department that there are no special problems of tax jurisdiction or administration involved in this proposal.

10. Extension of "Free" Wage Credit Provisions for Members of the Armed Forces

Extend for a limited period the present provision giving "free" wage credits of $160 a month for service in the armed forces.

Members of the armed forces are now given "free" wage credits of $160 a month for service any time after September 16, 1940, and prior to January 1, 1954. We believe that this temporary provision should be extended pending a permanent solution of the problem of old-age and survivors insurance coverage for the armed forces.

Old-age and survivors insurance coverage for this group on a mandatory contributory basis is now under consideration by two separate Committees. The Committee on Retirement Policy for Federal Personnel, consisting of the Secretary of the Treasury, the Secretary of Defense, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission, with a Chairman (Mr. H. Eliot Kaplan) appointed by the President, is making a study of "all retirement systems for all Federal personnel" (including the military retirement systems) and their relation to old-age and survivors insurance. A Special Committee on Survivors' Benefits, representing each of the four services in the Department of Defense, has recommended to the Director of Personnel Policy in the Department that the armed services be brought

into old-age and survivors insurance coverage, but the Department has not yet taken a position on the question. We believe that consideration of permanent contributory coverage of the armed forces should await the results of the studies of these two groups. We propose as an interim measure, pending a plan for contributory coverage, an extension of the "free" wage credits for a limited period.

11. Revised Method of Computing the Average Monthly Wage

Revise the method for computing the average monthly wage to provide that the three years in which earnings credits were the lowest (or nonexistent) would ordinarily be disregarded but in no case shall the period over which the average monthly wage is computed be less than the period of time required for the worker to obtain fully insured status. [13]

Our proposal is designed to meet the problem of the newly covered groups, who under existing legislation would in many instances have substantially lower benefits than those already covered because they do not have wage credits in 1951, 1952, and 1953. Our proposal solves this problem of the newly covered groups as part of an overall improvement in the program. It represents a recognition that for the long run the present average monthly wage provision results in reductions in the benefit amount for every year a worker is out of the system. Unemployment or disability for even part of a year can now cause benefit reductions. For example, to get maximum benefits a worker must now be paid at least $3,600 in every year after 1950 or his twenty-second birthday, whichever is later. Lower earnings in any year would cause his monthly benefit to fall below the $85 maximum.

By making possible the payment of full-rate benefits where earnings were reduced or nonexistent in as many as three years, the proposal does away with the need for any special provision for the newly covered groups. At the same time it gives to those already covered the advantage of some future protection against the lowering of the average monthly wage because of periods of unemployment, disability, or low earnings.

For newly covered persons with no prior quarters of coverage the three years prior to 1954 will be omitted from the computation since such persons will not have had covered earnings in those years; any subsequent years with little or no earnings will count against them. For persons now covered who contributed on earn-

[13] Because the provisions for the self-employed are on an annual basis it may be desirable to make certain technical modifications of this general proposal. One possibility would be to introduce an exception to the idea that disregarding the three years should not bring the period over which the average is computed below the period of coverage necessary for acquiring fully insured status. The exception would be that where the period required is not a multiple of one year it would be reduced to the next lower multiple of one year providing that in no case would the period be reduced below two years.

ings in years prior to 1954, on the other hand, up to three years (past or future) in which they have little or no earnings will be omitted from the computation. This recognizes the longer period during which such persons have been under the system.

If, for example, an individual who is newly covered in 1954 with no earnings reported for 1951, 1952, and 1953 retires in January 1957, having earned $3,600 during each of the years after 1954, his three years of no earnings after 1950 would be disregarded and he would become eligible for the $85 maximum benefit. At the same time, an individual who contributed on earnings in the years prior to 1954 would also benefit through the disregarding of the lowest three years. An example is that of an individual with reported earnings of $3,600 from 1951 through 1956 who becomes disabled in 1957 and reaches 65 in 1960. If, in the first year of his disablement, he earned less than $3,600 and was unable to work at all in 1958 and 1959, the last three years would be disregarded. He would thus be eligible for the $85 maximum at age 65.

Our proposal solves the immediate problem arising from extension of coverage. We recognize, however, that it may be desirable for the long run to allow individuals who have been under the program for a considerable period of time to disregard more than three years in computing the average monthly wage. This is particularly important because, as indicated, the groups brought under coverage after 1953 will in general be unable to utilize the three-year provision to offset future periods of low earnings or absence from the system. We are not intending by our present recommendation to prejudge later consideration of broader proposals designed to solve the long-range problem of the adverse effect of periods of low earnings or absence from the system on monthly benefits.

Dropping out the lowest three years will ordinarily leave a period of at least several years over which to compute the average monthly wage. For example, a person who attains age 65 at the beginning of 1971 would, under present law, have his average wage computed over at least the period of 20 years from the new start date of January 1951 through 1970. Thus, the dropping out of three years would leave a 17-year period over which the average was computed. However, some persons retiring in the near future may, under present law, have their benefits based on a period as short as one and a half years. To drop out three years in such cases would leave no period at all over which to compute the average. Some limitation on the dropping out of three years is therefore needed. We are proposing a limitation such that in every case the average monthly wage would be computed over a period at least as long as that required for the attainment of insured status.

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Our proposal would result in dropping out less than three full years in computing retirement benefits only in the case of persons who will attain age 65 before 1957. For all persons who reach age 65 in 1957 or thereafter, three years could be disregarded without reducing the period over which the average wage is computed to less than that required for attaining insured status. On the other hand, a person who attained age 65, let us say, in January 1955 would need the equivalent of two years of coverage in order to be insured. In computing his average monthly wage from the 1951 starting date, since two of the four elapsed years must be retained, only two years may be disregarded.[16]

We have been advised by the Bureau of Old-Age and Survivors Insurance that although it would not be practical to recompute individually benefits for the over 5 million persons now on the rolls for the purpose of dropping out the lowest three years of earnings, our proposal is practical for future benefit computations.

[16] The limitation on the dropping out of three years will have a continuing effect in the average wage computation for the purpose of survivor benefits in the relatively few cases where death of the insured worker occurs before age 27.

APPENDIXES

APPENDIX A. Employment Categories for Which No Recommendations Are Made

In order to complete the report as speedily as possible, the consultants have not given consideration to extension of coverage to the following special employment categories now excluded, and accordingly no recommendations are made for them in the report.

Students and Student Nurses

Services performed by a student or student nurse for the school, college, university, or hospital in which he is enrolled and domestic services performed in local college clubs or local chapters of fraternities or sororities by students are specifically excluded from old-age and survivors insurance coverage.

Family Employment

The 1939 amendments exclude service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under 21 in the employ of his father or mother.

Employees of Foreign Governments

The United States Government, of course, cannot impose the employer tax of the program on a foreign government. The exclusion of the employees of foreign governments from compulsory coverage must therefore be continued.[11]

Newsboys Under Age 18

The present law excludes newsboys under age 18 whether they work as employees or as self-employed news vendors.

Alien Residents of the United States Working for American Employers in Foreign Countries

Citizens of the United States working for American employers in foreign countries are covered by old-age and survivors insurance, but alien residents of the United States working under the same conditions are not.

Service for International Organizations

Employees performing service for international organizations entitled to certain privileges under the International Organizations Immunities Act are excluded from coverage.

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[11] We have been informed that the Department of Health, Education, and Welfare and the State Department are exploring the possibility of covering by voluntary agreement United States citizens employed in this country by foreign governments.

APPENDIX B. Cost Estimates for Universal Coverage [18]

New cost estimates for the present old-age and survivors insurance program have just recently been developed to take into account the considerable change in economic conditions during the last few years and the additional actuarial and statistical data available from operating experience and from the 1950 census. These cost estimates have been expanded so as to present data on the cost of the present benefit provisions with universal employment coverage. These cost estimates are based on assumptions of continued high employment and also of level earnings (somewhat below the present levels in both instances).

Estimates of future costs of the old-age and survivors insurance program are influenced by many factors difficult to determine. Accordingly, underlying assumptions may well differ widely and yet be reasonable. Among the many assumptions used, the following are perhaps the most important:

(*a*) *Mortality.*—Mortality rates by age have been improving steadily since the turn of the century for both sexes and for virtually all ages up to age 60. Although there was relatively little change above that age during the first four decades, during the past decade there has been significant improvement. In the low-cost assumptions, some improvement in mortality rates at all ages is assumed. However, in the high-cost assumptions, considerably more improvement is assumed.

(*b*) *Retirement Rates.*—The program has been in effect too short a time to give completely conclusive evidence as to probable future retirement rates. Since relatively little is known on this subject from a long-range standpoint, the estimates are based on two widely different assumptions so as to indicate the range of possibilities. These assumptions, however, have been based to a certain extent upon the actual claims data developing over the past few years. Under the low-cost estimate, after a period of years it develops that about 60 percent of the men age 65–69 and 80 percent of the women of those ages who are eligible to receive benefits would actually draw them by reason of ceasing substantial covered employment. For the high-cost estimate, the corresponding figures are 75 percent for men and 90 percent for women. For ages 70–74, the proportions are correspondingly higher, while, of course, beyond age 75 all eligible persons may receive benefits regardless of employment. In the early years all these figures are materially lower since more of those eligible have recently been in employment and thus would be more likely to continue to work.

[18] Prepared by Robert J. Myers, Chief Actuary, Social Security Administration.

(c) *Employment.*—The estimates of future costs assume that the general level of employment will be relatively high, although somewhat below conditions prevailing at the end of 1952.

(d) *Earnings Level.*—The estimates are based on level earnings assumptions slightly below the present levels. If in the future the earnings level should be considerably above that which now prevails, and if the benefits for those on the roll are at some time adjusted upward so that the annual costs relating to pay roll will remain the same, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to pay roll rather than in dollars. Under the assumptions used, with the $3,600 maximum wage base, four-quarter male workers have average earnings of $2,980 per year, while for women the corresponding figure is $2,030.

Further details as to the mortality and other demographic assumptions may be obtained from *Actuarial Study No. 33,* while a forthcoming *Actuarial Study* will give more details in regard to the cost estimates themselves and the various assumptions made.

It should be emphasized that the universal coverage assumed for the purpose of the cost estimates given in this memorandum goes beyond the proposals being made in this report. If coverage were extended only as far as definitely recommended by the consultants (or in other words not to the armed forces or Federal civilian employees under a retirement system), the cost estimates therefor would lie roughly midway between those shown for present coverage and those for universal coverage.

The cost estimates for expanded coverage have been based on the assumption that some provision would be made for removing the handicap of the newly covered groups as to the method for computing the average monthly wage, and thus the benefit amount. Although such a provision would probably not be limited exclusively to the newly covered groups, it was assumed that it would "wash out" over the long-range future. If, however, a provision is adopted which will have some permanent and long-range effect, there would be some increase in cost over the figures shown in this report. For instance, if the average monthly wage is to be computed as at present except that the three years that have the lowest amount of earnings are eliminated from the computation, the cost shown would be increased somewhat, roughly, in the neighborhood of 0.1 percent of pay roll on a level-premium basis.

One other factor in regard to extension of coverage should be mentioned, namely, that insofar as financial relationships are concerned, railroad employment is now covered by the old-age and survivors insurance system as a result of the Railroad Retirement Act Amendments of 1951. Now all survivor and retirement cases

involving less than ten years of railroad service (as well as some survivor cases with ten or more years of service) are to be paid by the old-age and survivors insurance system. Financial interchange provisions are established such that the old-age and survivors insurance trust fund is to be in the same financial position as if there never had been a separate railroad retirement program. The net effect will probably be a relatively small gain to the old-age and survivors insurance system, since the reimbursements from the railroad retirement system will be somewhat larger than the net additional benefits paid on the basis of railroad earnings. The long-range costs developed here are on the basis that all railroad employment is covered employment. The balance in the fund thus corresponds to the actual situation arising. The contribution and benefit figures, however, are slightly higher (roughly 5 percent) than the actual operating figures will show. This is the case because the figures shown here include both the additional contributions which would have been collected if railroad employment were covered employment, and the additional benefits that would have been paid under such circumstances.

Table 1 compares benefit costs both in dollars and relative to pay roll for present coverage and for universal coverage. The level-premium cost figures are based on two interest rates, 2¼ percent (close to the current average for trust fund investments) and 2¾ percent so as to show the effect of higher rates (interest rates on which investments are based are rising rapidly, and when the major portion of the fund is reinvested at the end of June 1953, it will probably be at 2⅝ percent or possibly 2½ percent). In considering the increases in the amount of benefit payments, it should be kept in mind that the covered pay roll is about 25 percent higher under universal coverage than under present coverage. The benefit disbursements over the years under universal coverage would be about 10–20 percent higher than those for present coverage. It would be anticipated that benefit disbursements would not increase proportionately with taxable pay roll. If coverage is broadened, the cost of the program relative to pay roll decreases for two reasons. First of all, under limited coverage those whc move in and out of covered employment have low average monthly wages in covered employment and receive the advantage of a formula weighted in favor of those with low average wages (the benefit formula is 55 percent of the first $100 of average monthly wage but only 15 percent above). Under extended coverage, their wages in covered employment will be greater. This means a corresponding increase in contribution income from those persons and their employers, with some but proportionately smaller increase in benefit outgo. This, in turn, means that over time the contribution

income will increase more than benefit outgo. Second, extension of coverage means that there will be fewer cases in which earnings from uncovered employment are disregarded in applying the retirement test.

On a level-premium basis the reduction resulting from these two factors under universal coverage amounts to about 0.3 percent of pay roll for the low-cost estimate, about 0.6 percent for the high-cost estimate, and about 0.4 percent for the intermediate-cost estimate. The extension of coverage recommended in this report would result in a reduction in the level-premium cost of the program by about 0.25 percent of pay roll on the basis of the intermediate-cost estimates.

Table 2 considers the breakdown of the aged population into those receiving old-age and survivors insurance benefits or being supported by earnings, and all others. This is of significance in considering proposals for extending coverage and for "blanketing-in" the current aged. The figures which have been developed are based in large part upon the previous cost estimates, although certain other estimates had to be made which are somewhat tentative and preliminary in nature.

Table 2 relates to both present coverage and universal coverage. At the present time, somewhat less than 60 percent of the aged are receiving old-age and survivors insurance benefits or earnings (including wives of earners). This proportion will gradually rise to about 85–90 percent in the next 25 years under present old-age and survivors insurance coverage and to 90–95 percent under universal coverage. After that time, there will be a further slow increase to an ultimate figure of close to 100 percent for universal coverage and close to 95 percent for present coverage. At the present time, almost 75 percent of the men are receiving benefits or earnings while for women, the corresponding figure is only about 45 percent. However, by 1980, the ratio for women will be quite close to that for men. This difference in the proportions for men and women is, of course, largely explained by the continued presence of a large number of widows whose husbands died without being insured under the old-age and survivors insurance program.

Table 3 shows the progress of the trust fund under the present coverage, using 2¼ percent and 2¾ percent of interest. Under the low-cost estimate, the fund builds up steadily, reaching in the year 2000 about $130 billion for the 2¼ percent interest assumption and $160 billion for 2¾ percent and continues to grow thereafter. For the year 2000, benefits and contributions are roughly equal and although benefits increase more rapidly than contributions thereafter, interest on the fund would more than take care of this difference.

Under the high-cost estimate, the trust fund builds up to a maximum of about $40 billion in 1975–80 for 2¼ percent interest and $47 billion in 1980 for 2¾ percent interest and thereafter declines, being exhausted about 20 years later. Under this estimate, contributions generally exceed benefit payments plus administrative expenses until about 1975, although for 1958 and 1959 there is a slight excess of benefits over contributions (these are the last two years that the 4 percent combined contribution rate is in effect) and the same situation also holds true for 1963 and 1964 (the last two years on the 5 percent combined rate).

Under the intermediate-cost estimate, at 2¼ percent interest the trust fund builds up to a maximum of about $65 billion in 1985 and declines slowly thereafter to about $55 billion in the year 2000. At 2¾ percent interest, the corresponding figures are a peak of about $80 billion in 1990, and $77 billion in 2000. Carrying the cost estimates out beyond the year 2000, the trust fund continues to decrease until it is exhausted many years later.

Table 4 shows the progress of the trust fund under universal coverage using 2¼ percent and 2¾ percent interest. Since the cost of the program relative to pay roll is lower than for present coverage and since the dollar amounts involved are larger because of more persons being covered, the resulting trust fund figures are higher, and in any cases where the trust fund reaches a maximum and declines, this point is at a higher amount and is further off in the future than the corresponding figures in Table 3. Under the low-cost estimate, the fund builds up steadily reaching about $190 billion in 2000 at 2¼ percent interest and $225 billion at 2¾ percent interest, and continues to grow thereafter. For the year 2000, contributions are roughly 5 percent higher than benefit payments. Although thereafter benefits increase more rapidly than contributions and after about 20 years become larger, interest on the fund more than takes care of this difference.

Under the high-cost estimate, the fund builds up to a maximum of about $65 billion in 1980 at 2¼ percent interest and to about $75 billion in 1980–85 at 2¾ percent interest and thereafter declines, being exhausted shortly after 2000. Contributions generally exceed benefit payments plus administrative expenses until about 1975.

Under the intermediate-cost estimate, the fund builds up steadily over the next 50 years reaching about $105 billion in 2000 at 2¼ percent interest and about $185 billion at 2¾ percent interest. Thereafter the fund grows more slowly, and for 2¼ percent interest eventually reaches a maximum and then declines.

TABLE 1—*Comparison of Cost of OASI System for Present Coverage and Universal Coverage*

Calendar Year	Benefit Payments (millions)			Benefits as Percent of Payroll		
	Present Coverage	Universal Coverage	Increase in Cost	Present Coverage	Universal Coverage	Increase in Cost
LOW-COST ESTIMATE						
				Percent	*Percent*	*Percent*
1960	$5,267	$5,873	$606	3.76	3.34	−0.42
1970	7,723	9,059	1,336	4.85	4.55	−.30
1980	10,321	12,385	2,064	5.86	5.64	−.22
2000	13,455	16,029	2,574	6.29	6.01	−.28
2050	21,961	24,897	2,936	6.88	6.53	−.35
Level-Premium [a]						
at 2¼% interest				5.69	5.40	−.29
at 2¾% interest				5.42	5.14	−.28
HIGH-COST ESTIMATE						
1960	$6,166	$6,814	$648	4.44	3.91	−.53
1970	8,913	10,631	1,718	5.66	5.40	−.26
1980	11,909	14,277	2,368	6.95	6.68	−.27
2000	16,169	18,739	2,570	8.42	7.81	−.61
2050	22,654	25,658	3,004	10.93	9.90	−1.03
Level-Premium [a]						
at 2¼% interest				7.63	7.03	−.60
at 2¾% interest				7.12	6.58	−.54
INTERMEDIATE-COST ESTIMATE [b]						
1960	$5,716	$6,344	$628	4.10	3.63	−.47
1970	8,318	9,845	1,527	5.36	4.97	−.39
1980	11,116	13,331	2,215	6.40	6.16	−.24
2000	14,812	17,382	2,570	7.30	6.86	−.44
2050	22,302	25,773	3,471	8.48	7.85	−.63
Level-Premium [a]						
at 2¼% interest				6.58	6.15	−.43
at 2¾% interest				6.22	5.82	−.40

[a] Level contribution rate (based on interest rate shown) for benefit payments after 1952, taking into account the accumulated funds at the end of 1952 and future administrative expenses, and assuming that after the year 2050 benefit payments and taxable payroll are level (actually the relationship between benefits and payroll is virtually constant after about 2030).

[b] Based on average of the dollar costs under the low-cost and high-cost estimates.

Note: The figures in this table are based on the cost estimate involving high-employment assumptions. See text for explanation of meaning of these figures in regard to financial interchange provisions with railroad retirement system.

TABLE 2—*Aged persons receiving OASI benefits or supported by earnings compared with total aged population, present coverage and universal coverage (in millions of persons)*

Calendar Year	Total Population Age 65 and Over	Receiving OASI Benefits or Supported by Earnings [a]			
		Number		Percent	
		Present Coverage	Universal Coverage	Present Coverage	Universal Coverage
LOW-COST ESTIMATE, TOTAL PERSONS					
1953	13.3	7.6	(*)	57	(*)
1955	13.9	8.6	(*)	63	(*)
1960	15.4	10.7	11.1	69	72
1970	18.4	14.4	15.1	78	82
1980	22.0	18.7	20.1	85	91
HIGH-COST ESTIMATE, TOTAL PERSONS					
1953	13.3	7.6	(*)	57	(*)
1955	13.9	9.3	(*)	67	(*)
1960	15.6	11.7	12.0	75	77
1970	18.7	15.6	16.3	83	87
1980	22.8	20.7	21.6	91	95
LOW-COST ESTIMATE, MEN					
1953	6.2	4.5	(*)	73	(*)
1955	6.5	4.8	(*)	74	(*)
1960	7.0	5.5	5.5	79	79
1970	8.1	6.7	6.9	83	85
1980	9.4	8.4	8.9	89	95
HIGH-COST ESTIMATE, MEN					
1953	6.2	4.5	(*)	73	(*)
1955	6.5	5.2	(*)	80	(*)
1960	7.0	6.0	6.1	86	87
1970	8.3	7.2	7.5	87	90
1980	9.9	9.4	9.7	95	98
LOW-COST ESTIMATE, WOMEN					
1953	7.1	3.1	(*)	44	(*)
1955	7.4	3.8	(*)	51	(*)
1960	8.4	5.2	5.6	62	67
1970	10.3	7.7	8.2	75	80
1980	12.6	10.8	11.2	82	89
HIGH-COST ESTIMATE, WOMEN					
1953	7.1	3.1	(*)	44	(*)
1955	7.4	4.1	(*)	55	(*)
1960	8.4	5.7	5.9	68	70
1970	10.4	8.4	8.8	81	85
1980	12.9	11.3	11.9	88	92

*Not available.

[a] As used here, "earnings" includes earnings from noncovered employment.

Note: The figures in this table are based on the cost estimate involving high-employment assumptions. See text for explanation of meaning of these figures in regard to financial interchange provisions with railroad retirement system.

TABLE 3—*Progress of OASI Trust Fund for Present Coverage (in millions)*

Calendar Year	Contributions [a]	Benefit Payments	Administrative Expenses	Interest Rate at 2¼%: Interest on Fund [b]	Interest Rate at 2¼%: Fund at End of Year	Interest Rate at 2¾%: Interest on Fund [b]	Interest Rate at 2¾%: Fund at End of Year
ACTUAL DATA [c]							
1950	$2,671	$961	$61	$257	$13,721	$257	$13,721
1951	3,367	1,885	81	417	15,540	417	15,540
1952	3,819	2,194	88	365	17,442	365	17,442
LOW-COST ESTIMATE							
1960	$6,646	$5,267	$101	$657	$30,482	$827	$31,538
1970	9,985	7,723	125	1,186	54,982	1,541	58,656
1980	11,176	10,321	151	1,868	85,263	2,507	94,016
1990	12,224	12,884	175	2,345	106,282	3,303	123,135
2000	13,501	13,485	191	2,830	128,585	4,208	157,197
HIGH-COST ESTIMATE							
1960	$6,578	$6,166	$134	$540	$21,673	$682	$25,638
1970	9,878	8,913	170	741	34,064	978	36,940
1980	10,874	11,909	208	915	40,941	1,271	46,875
1990	11,435	14,725	246	557	23,547	938	33,264
2000	12,191	16,169	268	(d)	(d)	(d)	(d)
INTERMEDIATE-COST ESTIMATE [e]							
1960	$6,612	$5,716	$118	$598	$27,578	$754	$28,588
1970	9,932	8,318	148	964	44,533	1,260	47,798
1980	11,025	11,116	180	1,392	63,102	1,889	70,446
1990	11,830	13,656	210	1,451	64,914	2,120	78,210
2000	12,891	14,812	230	1,205	56,412	2,097	77,274

[a] Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950-53, 4 percent for 1954-59, 5 percent for 1960-64, 6 percent for 1965-69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.

[b] Actual interest receipts used for 1950-52. For future years, interest is figured at rate shown on average balance in fund. Actual 1951 figure is inflated because it includes a considerable amount of the interest which accrued in the second half of 1950 and also virtually all of the 1951 interest.

[c] Based on Daily Statement of the U. S. Treasury. For 1950, benefit payments were those of 1939 Act for first 9 months and those of 1950 Act for last 3 months, and contribution income was that of previous law for entire year. For 1952, benefit payments were those of 1950 law for first 9 months and those of 1952 law for last 3 months.

[d] Fund exhausted in 1997.

[e] Based on average of the dollar costs under the low-cost and high-cost estimates.

Note: The figures in this table are based on the cost estimate involving high-employment assumptions. See text for explanation of meaning of these figures in regard to financial interchange provisions with railroad retirement system.

TABLE 4—*Progress of OASI Trust Fund for Universal Coverage (in millions)*

Calendar Year	Contributions [a]	Benefit Payments	Administrative Expenses	Interest Rate at 2¼%: Interest on Fund	Interest Rate at 2¼%: Fund at End of Year	Interest Rate at 2¾%: Interest on Fund	Interest Rate at 2¾%: Fund at End of Year
LOW-COST ESTIMATE							
1960	$8,133	$5,873	$118	$900	$37,430	$1,005	$38,617
1970	12,275	9,060	147	1,592	73,883	2,058	78,440
1980	13,727	12,365	177	2,554	116,656	3,409	127,967
1990	14,970	13,015	203	3,295	149,636	4,605	171,950
2000	16,080	16,029	221	4,109	186,960	6,030	235,501
HIGH-COST ESTIMATE							
1960	$8,064	$6,814	$154	$691	$31,946	$870	$33,003
1970	12,147	10,631	198	1,097	50,513	1,434	54,225
1980	13,367	14,277	238	1,442	64,977	1,974	73,175
1990	14,080	17,273	271	1,226	53,952	1,871	65,167
2000	15,018	18,739	291	574	24,101	1,259	45,024
INTERMEDIATE-COST ESTIMATE [b]							
1960	$8,098	$6,344	$136	$746	$31,683	$958	$33,840
1970	12,211	9,845	172	1,344	62,199	1,746	64,332
1980	13,547	13,331	208	1,908	90,816	2,692	100,571
1990	14,500	16,142	237	2,200	101,794	3,238	120,041
2000	15,849	17,382	256	2,342	105,530	3,644	135,263

[a] Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950–53, 4 percent for 1954–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.
[b] Based on average of the dollar costs under the low-cost and high-cost estimates.

Note: The figures in this table are based on the cost estimate involving high-employment assumptions. See text for explanation of meaning of these figures in regard to financial interchange provisions with railroad retirement system.

Secretary HOBBY. So long as the system does not cover substantially all of our working population, there will continue to be many people who have no source of income when they retire, and children whose mothers will not be able to care for them adequately if the father dies.

Under the provisions recommended by the President, between 10 and 11 million persons who during the course of a year work in noncovered jobs would be brought into the system, thus making coverage essentially universal. About 6½ million of these persons would be covered immediately, and another 4 million would be eligible for coverage under voluntary group arrangements.

Those who would be covered or made eligible for coverage on a group basis by our recommendations include the following:

Self-employed farmers;

Self-employed professionals, including lawyers, accountants, doctors, dentists, and others;

More farm workers and domestic workers than have previously been covered;

State and local government employees in positions covered by State and local retirement systems;

Clergymen; and

Various smaller groups, such as employee fishermen and certain small groups of Federal Government employees.

Senator BYRD. Mr. Chairman, may I ask a question there?

The CHAIRMAN. Senator Byrd.

Senator BYRD. The doctors were taken out by the House. Would you tell us what changes the House made in these recommendations when you read them?

Secretary HOBBY. That comes later in the testimony, Senator. May I defer?

Senator BYRD. Oh, yes. I just wanted to get a clear picture.

Senator BENNETT. On page 9 you said another 4 million would be elibible for coverage under the voluntary group arrangements. Will you come later to the list of the volunatry groups? You have given us the list of the involuntary groups.

Secretary HOBBY. Yes, sir, Senator. They are on the chart and they will come later.

We firmly believe that, if all of these groups are brought into OASI, so as to make it essentially a universal system, great advantages will accrue both to the individuals involved and to the Nation as a whole.

Insofar as coverage is administratively practicable, no one should be denied the protection of this system because of his occupation. Individuals should be assured of basic retirement and survivorship income through a contributory system with benefits paid without a means test. The security offered to newly covered individuals and their families by inclusion under OASI may make the difference between dependence and independence in old age or upon the death of the breadwinner.

Incomplete coverage is disadvantageous also to those who work part of their lives in covered and part of their lives in noncovered occupations. Because of the mobility of our labor force, there are many such people. Since noncovered earnings do not count in computing benefits, taking a job in noncovered employment penalizes a worker by resulting in ultimate reduction of his benefits.

Extending coverage actually reduces the overall cost of the program measured as a percentage of covered payrolls.

The CHAIRMAN. Madam Secretary, I do not think it is out of order to comment that a person who takes noncovered employment may not be exercising free choice. He may have to take a job he can get, which is a noncovered job.

Secretary HOBBY. That is entirely true, sir.

Because of the weighted benefit formula, the benefits for persons who are in and out of covered employment are proportionately much higher in relation to their covered earnings and their contributions than the benefits for persons regularly under the system.

Extension of coverage also helps to lighten the burden of public assistance costs upon the general taxpayer. In particular, public assistance loads in the rural areas are higher today than they would be had farm groups been covered under the original act. Most farm workers and all farm operators are not now covered. Extending coverage to them would have a very significant effect in reducing the need for public assistance in the future.

For all of these reasons, the administration strongly favors the extension of OASI to these 10½ million additional workers.

H. R. 9366 extends coverage to all those for whom coverage was recommended, except for certain farmworkers and self-employed

physicians. We believe that the coverage of farmworkers should be as broad as possible. In our judgment, the broader coverage which our original recommendation would provide is feasible and is to be preferred. As to self-employed physicians, there is no question as to the feasibility of covering them, and we strongly recommend that they be afforded the protection of old-age and survivors insurance.

2. DROP YEARS OF LOWEST EARNINGS AND MODIFY INSURED STATUS REQUIREMENTS

You will recall that under present law a worker's earnings record, for benefit computation purposes, generally commences with January 1, 1951. Workers who are newly covered next year would, therefore, have a 4-year gap in their earnings record—the years 1951, 1952, 1953, and 1954. So that the benefits of these newly covered persons will not be reduced because of their prior exclusion from the system, H. R. 9366 provides that these 4 years will be eliminated in figuring the average of monthly earnings. After 20 quarters of covered work, an additional year of low or no earnings can be dropped.

This "drop-out" applies also to persons who are already contributing to the system. Under present law, time out of work or periods of low earnings because of unemployment or temporary illness may result in a permanent reduction of benefit amounts. With the years of lowest earnings eliminated, benefits of persons already covered will more nearly reflect their earnings while they are well and working.

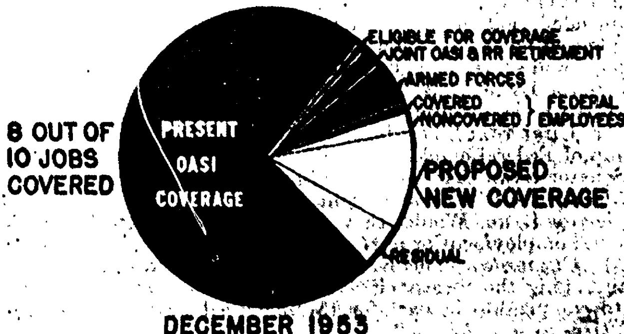
With respect to insured status, except during the next few years, the requirements of present law will not be difficult for newly covered workers to meet. However, unless the present insured status requirements are modified, generally the widow of a newly covered worker dying within 3½ years after the coverage exten[illegible] date will not be eligible for benefits when she reaches age 65. Also, under these requirements workers now nearing age 65 will have to work for some time beyond that age before they can become eligible for retirement benefits. This is because the total time they would have worked since initial coverage under the system would not, as required by present law, equal half the period elapsed since 1950.

H. R. 9366, therefore, contains an alternative insured status requirement, which would be temporary in its effect. Under this alternative, an individual who has a minimum of 6 quarters of coverage after 1954, and who works continuously after that date, will be insured upon his attainment of age 65 or his death.

After 3½ years from the coverage extension date, which would be June 1958, such a person would more than meet the present insured status requirements of one-half the period since 1950. Thus the provision makes it easier for the newly covered person to qualify during the next few years without the extensive weakening of the insured status requirements that would result from another "new start."

At this point, with your permission, Mr. Chairman, I would like to ask Mr. Christgau to present some charts which will give more details about the two major provisions of the recommendations discussed so far—namely, the vitally important proposal for the extension of OASI coverage, and the complementary proposal which would close the earnings gap of newly covered persons.

(The chart entitled "Extension of Coverage" follows:)



Mr. CHRISTGAU. We are now discussing this first recommendation to extend coverage to 10.5 million persons. This chart, Extension of Coverage, depicts the total number of jobs in any given week—that is, 63.2 million paid jobs. In general, 8 out of 10 of those jobs are covered by old-age and survivors insurance.

This blue field here is an indication of the scope of the present coverage and the white field is the proposed new coverage to which the Secretary just referred. Some discussion on the portion of the chart which represents present coverage might be helpful.

This small segment here represents coverage that is authorized under present law—but which has not yet been put into effect—about 170,000 State and local government employees and about 230,000 employees of nonprofit organizations. (About 80 percent of those eligible under the State and local government provisions are already covered, and about the same percent of those eligible under the nonprofit provisions are already covered.)

Then this next segment refers to the joint OASI and railroad retirement. Those two programs are so closely coordinated that railroad employees may be considered covered under OASI.

The next rather substantial block is the Armed Forces, totaling about 3.5 million. The members of the committee will recall that the present law contains a provision under which the members of the Armed Forces get $160 a month wage credit for their period in service. That provision of the law expires on June 30, 1955.

The next is covered and noncovered Federal civilian employees. The small segment in blue represents the approximately 600,000 Federal civilian employees who are under OASI on the regular contributory basis. In many cases these people are temporary employees of the Federal Government.

The yellow represents the million and a half Federal employees who are now under the Federal civil-service retirement system or some other Federal staff retirement system; these employees are excluded from old-age and survivors insurance.

The members of the committee will recall that just recently the Kaplan committee—the Committee on Retirement Policy for Federal Personnel—recently released its report. That committee recommended that both the Armed Forces and the Federal civilian employees under the civil-service retirement system be covered by old-age and survivors insurance.

Senator BYRD. May I ask a question? What group do you refer to of the Federal employees that this commission covered?

Mr. CHRISTGAU. The Kaplan committee recommended that this group of Federal employees just mentioned be covered.

Senator BYRD. You mean the big group of a million and a half?

Mr. CHRISTGAU. That is right.

Senator BYRD. Would they continue their payments under the Federal employment or not?

Mr. CHRISTGAU. The Kaplan proposal, as I understand, includes maintaining the present Federal system with some adjustments in it to compensate in part for the increased protection coming from OASI.

Senator BYRD. Are not the Federal employees opposed to that? All that I hear from have been opposed to it. They have got a better system than this system.

Mr. CHRISTGAU. I think there is some opposition among the Federal employees; they are in the process now of digesting the report. I am not sure what their final conclusion will be.

Senator GEORGE. Are they included in this bill?

Secretary HOBBY. No, sir. We did not include Federal employees in this bill because the Kaplan committee had not reported. We thought it would be premature.

Senator Byrd, there is beginning to be considerable sentiment among Federal employees in favor of coverage under the OASI system. The plan recommended by the committee is a very complicated one and it would be difficult for me to explain, but it is an adjustment of the present civil-service retirement system with coverage under OASI. With the old-age and survivors insurance program operating as a base and civil-service retirement on top of that, so to speak, much in the same way that industry now has a pension plan on top of the basic retirement protection furnished by OASI.

Senator BYRD. What do the Federal employees now pay? What deduction do they have?

Mr. MYERS. 6 percent.

Senator BYRD. Is that 6 percent paid by the employee?

Mr. MYERS. Yes, Senator Byrd; that is correct.

Senator BYRD. And the new system, of course, is 2 percent on the employer and the employee, the bill that we are now considering?

Mr. MYERS. That is right, 4 percent.

Senator BYRD. I do not see how you can integrate those two systems together.

Mr. MYERS. If I might speak on that point, Senator; under the Kaplan committee proposal for making the civil service retirement plan a supplementary one, for wages under $4,200, the present 6 per-

cent employee contribution would be reduced to 3½ percent for the civil service retirement plan plus the 2 percent for OASI, making a total of 5½ percent.

For wages above $4,200, the Kaplan proposal would continue to deduct the whole 6 percent as now, all of it going into the civil service retirement system.

Senator BYRD. They have a vested right in the payments they have made in the past, to get certain benefits, and you could not very well change that now.

If they are satisfied, why do you want to change it? I represent a lot of Federal employees and I do not think I have gotten a single letter favoring going under the social security plan.

Secretary HOBBY. Our bill does not provide it. We did not include it, Senator, because as I say, the Kaplan committee was supposed to report on it.

Senator BYRD. It is a little confusing to me in the explanation of these charts that certain statements are made by some commission or somebody else advocating something. What I would like to know is specifically what is in the bill and what the President recommends. I think it is rather confusing to bring in different commissions.

Secretary HOBBY. I am sorry. We did not mean to confuse you.

Senator BYRD. I am not critical of it, but I am anxious to get the best possible conception of this that I can. When you refer to a lot of different commissions, I do not know whether you recommend the reports of the commissions or not.

Secretary HOBBY. If you will let Mr. Christgau return to this white segment of the chart, the white segment is the recommendation of this new bill.

Mr. CHRISTGAU. As I explained, this area in blue, and this yellow segment, are people already covered under OASI. Now the white field—the proposed new coverage. The largest group in the field of proposed new coverage are the farm operators and additional farm workers. There are about 3.6 million farm operators that we propose to cover. There will be an expansion of coverage so that the number of farm workers will increase from the approximately 700,000 presently covered to approximately 3.3 million.

Then the next largest group is made up of State and local government employees covered under State and local retirement systems.

The CHAIRMAN. Before you come to that, tell us what distinction you draw in those who are on the farm between the owner and the worker.

Mr. CHRISTGAU. If the chairman will wait just a minute, I am coming to a chart showing the breakdown between those two and I think it will clarify it. If not, I will be pleased to have you raise the question.

Senator BUTLER. May I ask if your chart later on makes a distinction between the operator and the owner who may be a partner with the operator?

Mr. CHRISTGAU. Yes. We will reach an explanation on that, too.

The next group, as I indicated, represents about 3½ million employees of State and local governments who are covered by retirement systems. There are now about a million State and local employees who are eligible for OASI coverage under present law. About 830,000 of them are already covered under OASI and this expands that cov-

erage. The members of the committee will recall that under the present law, State and local employees are covered only to the extent that they are not in positions covered under a State and local retirement system on the date their group is brought under the program.

Senator MARTIN. Might I ask a question?

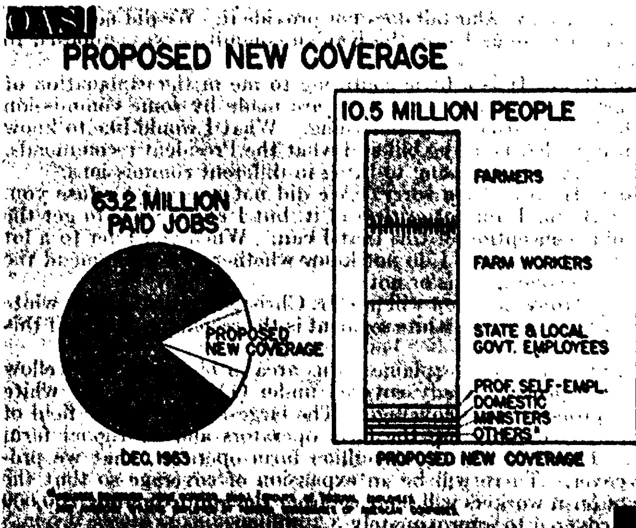
The CHAIRMAN. Yes.

Senator MARTIN. There isn't any provision that they could come in if they would so vote?

Mr. CHRISTGAU. Yes; I will explain that.

Senator MARTIN. Thank you.

(The chart entitled, "Proposed New Coverage," follows:)



Mr. CHRISTGAU. You will note on this new chart, Proposed New Coverage, that the total proposed coverage is 10.5 million people. This other chart shows 63.2 million paid jobs.

The new coverage in the white area amounts to about 7 million jobs that would be covered at any one time. During the course of the year, approximately 10.5 million people work in those jobs due to labor turnover and so forth.

The largest group is that of farmers—3.6 million farm operators who are not now covered would be covered.

Then it is proposed to add an additional 2.6 million farmworkers. This crosshatching in the center indicates that some people are both farmworkers and farm operators during the course of a year, representing an overlap of approximately 400,000 individuals.

Senator BUTLER. That does not include the farm owner, as I see it, who does not operate his farm but has a man on it working with him as a partner in the operation.

Where does the owner come in?

Mr. Rockefeller. He is the top group, the farmer.

Mr. Christgau. If he gets his remuneration as a result of a share in the crop and performs no services, simply renting his farm, he is not covered.

There are two classes that would come under that classification. One is the owner who rents his farm for a share of the crop.

There is another classification, a man who owns the farm and has an active partnership with the fellow who operates it.

Senator Butler. He may not do any of the manual labor, but he is interested usually to the extent of 50 percent in the income of the farm because he owns the farm and the other fellow operates it.

Mr. Christgau. As I understand, the distinction is that if he has net income from the farm of $400 or more a year and if that income is not rental income, he is covered.

On the other hand, if his entire income from the farm takes the form of rent, he is not covered under the program.

Senator George. How does the bill treat the man who works for a share of the crop?

Mr. Christgau. I think Mr. Ball can explain that.

Mr. Ball. Senator, the owner who gets a share as rent is specifically excluded. The share of rent is not counted as farm income, and he is not covered. All he is is the owner.

Senator George. He is not a farm operator?

Mr. Ball. No; not for social-security purposes. But the worker, the sharecropper himself who does the work, would be covered according to a common-law test either as an employee, if he is a common-law employee in a given situation, or as a self-employed farmer in a given situation, if he is not an employee.

Senator George. You have many sharecroppers who themselves employ a great number of laborers in operating their farms? They are farm operators, actually.

Mr. Ball. Yes; ordinarily.

Senator George. But they are operating on a share basis. Are they classed as self-employed or as workers themselves.

Mr. Ball. In the instance that you give, sir, I believe they would ordinarily turn out to be self-employed operators and could be covered in that category.

Senator George. And their employees would turn out to be employees, and both would have to contribute as far as they were concerned.

Mr. Ball. Yes, sir.

Senator Butler. On what basis do they make a contribution?

Mr. Ball. In the sharecropper case? It would be the distributed share of the crop.

Senator Butler. And they pay a percentage on that up to an income of $4,200?

Mr. Ball. Yes.

Senator George. And no deduction anywhere along the line. Their first $4,200 is taxable, is that correct?

Mr. Ball. Yes, sir.

Now take the case of the farm operator—I was answering the question of one who is considered an employee. As will be explained later, ordinarily the operator would pay on the net income from the farm just as in income tax. The bill follows the income-tax procedure

in general. The self-employed farm operator's tax would be on his net income. There is a special recommendation to make reporting easier for the really low-income farmer where there will be a presumed net income of 50 percent of the gross.

There is a chart on that.

The CHAIRMAN. Let's take a simple illustration. Let's suppose a man in town owns a farm. Let us suppose he does no active work on the farm except, I suppose, to supervise it as an owner. Let us suppose that he has a lessee, or whatever you want to call it, who does the work on the farm and is responsible for the actual farm production. Let us suppose, as suggested by Senator George, that he goes out and hires other people who help him. You have three different types of persons. Tell us what happens to each one of them.

Mr. BALL. In the case where the farm is rented, actually the first man would not be covered at all. The second man would be covered as a self-employed farmer. The third group, the employees, would be covered as hired farm workers.

Senator BUTLER. You haven't touched the question that I have asked. I will try to make it as simple as I can.

The man in town owns the farm, and the man on the farm and he make a deal whereby the fellow on the farm does the work—plants and raises the crop.

The fellow in town who owns the land gets 50 percent of the net and the fellow on the farm pays all of the labor. That is not rent, that is a business income. Is the fellow who owns the land considered an operator who is covered or not?

Mr. BALL. Yes, sir; as distinct from the chairman's situation, the man in town would be covered under your illustration where he doesn't actually rent the farm and it is a partnership. If it were a rental situation it would be different.

Senator BUTLER. This is not a rental but a business setup.

Mr. BALL. If it is a share-rental situation where this man who is on the farm and does the work pays the owner rent, either in the form of a share of the crop or otherwise, then the owner would not be covered.

The CHAIRMAN. Suppose he pays enough to the man in town to take care of taxes and a share of the crop. What kind of setup would you have?

Mr. BALL. That would probably be a rental situation. If so, the man in town—the owner of the land—would not be covered.

Senator GEORGE. Sometimes the sharecropper is regarded as a laborer under the laws of some States.

In Georgia, he is regarded as a laborer. He gets for his compensation a percentage of the crops that he actually matures, gathers, markets, and sells.

Sometimes it is a third, sometimes it is a fourth, sometimes a half, and sometimes it is more. He would be a farm operator. That is what I am trying to get at. I am not speaking of the owner of the land, but the man who operates it on a share basis. He would be a farm operator under the bill as drawn.

Mr. BALL. Senator George, what we would follow there to determine whether he was an employee or an operator would be the common law. If there were a sufficient degree of control to establish him

as a common-law employee, he would be treated as a hired farm worker, not as self-employed.

The illustration that you gave me earlier was of a cropper who himself was in turn hiring people to work for him.

Senator GEORGE. But he does. He has to.

Mr. BALL. In that situation my guess would be that he would not ordinarily meet a common-law test of employee and would be treated as a self-employed person.

Senator GEORGE. He meets the common-law test under the laws of some States, because the absolute control of the crop is in the owner at all times. As a matter of fact and practice, he doesn't exercise it.

Mr. BALL. In those situations they would be treated as employees where the common-law test is met.

Senator GEORGE. Then the owner would be liable for half of the tax on that employee?

Mr. BALL. In those situations; yes, sir.

Senator BENNETT. Mr. Chairman, would the owner be liable or would the operator be liable who hired the employee?

Mr. BALL. I should have said the operator.

Senator GEORGE. A is the owner. B is the man who actually operates the farm on a share basis. C and D, et cetera, are laborers under B.

What I was especially interested in is the man who is actually operating the farm. If he meets a common-law test, is he regarded as a farm operator under this bill or is he an employee under the bill?

Mr. BALL. Anyone who meets the common-law test of being an employee will, under this bill, be treated as an employee.

The CHAIRMAN. Will that be according to the State law?

Mr. BALL. The interpretation would actually be made in the Federal courts. It would actually be a Federal matter.

Senator GEORGE. We would have to undergo a system of litigation in Georgia to find out what a man was. The States courts have usually decided those issues.

The CHAIRMAN. Who determines what is the employee? Do you determine it here in Washington or do you follow the law of the State?

Mr. BALL. The Internal Revenue Service would first make the interpretation.

My point about the Federal courts is that a decision on any appeal from the Internal Revenue Service opinion would be made in the Federal court.

The CHAIRMAN. But the Federal courts in that kind of matter usually follow the State law.

Mr. BALL. I should think that might well be taken into account.

Senator GEORGE. I think they would generally do so.

Senator BENNETT. Mr. Chairman, might I ask another question?

The CHAIRMAN. Certainly.

Senator BENNETT. Taking the three types of farmers that Senator George has mentioned, type A would have no contact with the system at all and would not be responsible either for the payment of any share of the OASI tax, or he would not be eligible for any benefits. But type B, the operator, who in turn employs others, would be forced to pay 3 percent of his own income plus 2 percent of all of the wages he paid to his men

Mr. BALL. That is correct.

Senator BENNETT. Isn't that a rather substantial burden for an individual to carry? You are not getting into an area where a man who is considered self-employed carries a double burden.

Mr. BALL. This is similar to the situation as far as self-employed coverage now is concerned. In one instance, he pays for his own protection. He pays the self-employed rate as an operator of a small business now for his own protection. Then he has employees who work for him, and he shares with them a payment for their protection just as a businessman now does for his employees' benefit.

Senator BENNETT. Then I can understand why many small-business men object to being included under the system. They are carrying a double burden, and they do object.

Mr. BALL. Is it really a double burden, sir, or is it a tax for two different situations?

Secretary HOBBY. It is not a double burden, Senator. A self-employed person is paying for his own protection and, as an employer, he is sharing as any other business does, in the social insurance of his employees.

Senator BENNETT. Is he entitled to deduct from his own income tax the amount of his contribution for his employees, the OASI?

Secretary HOBBY. Yes.

Mr. BALL. The employees, yes.

Senator BENNETT. But not his own?

Mr. BALL. Not his own.

Senator BUTLER. May I ask one other question? Has any attempt been made to discover the attitude of people in agriculture, principally those who qualify as owners or operators? Has any attempt been made to get the attitude of the people?

Secretary HOBBY. We spoke to the agricultural representation that we had, Senator, on the group of experts.

Mr. BALL. Yes, Mrs. Secretary. Also, there was considerable testimony in the House on this bill from the farm organizations and from other people in touch with the farm situation.

The National Grange and the Farmers' Union have both favored this coverage, where the American Farm Bureau Federation has not. The Under Secretary of Agriculture also testified that it was his belief that the farmers of the country were overwhelmingly in favor of securing this protection.

Among the consultants that the Secretary referred to were staff members of the National Grange and of the American Farm Bureau Federation; they did not take a stand on extension of coverage under the program but worked on the feasibility of extending the program if you were going to extend it.

Senator BUTLER. That partially answers my question, but I would like to know if there is some way of getting at the attitude of a man who is going to pay this tax, not the employees or representatives of national associations, Grange, Farmers' Union, or Farm Bureau.

Mr. BALL. We have knowledge of some studies that were done by some of the State agricultural schools who interviewed samplings of farmers in their States to get information on retirement. I would be glad to submit some of those studies for the record, Senator.

Senator BUTLER. That would give us some idea.

Mr. BALL. I am sure there will be testimony from the groups themselves and the Department of Agriculture on this point.

The CHAIRMAN. Will you submit whatever you have?

Mr. BALL. Yes, sir.

(The information above referred to follows:)

In 1951 and 1952 the land-grant colleges in Connecticut, Wisconsin, and Texas, in cooperation with the United States Department of Agriculture, conducted studies for the purpose of determining farmers' retirement plans and their attitudes toward the old-age and survivors insurance program. A sample group consisting of 1,555 farm operators was interviewed in selected areas of those States. The farm operators interviewed generally approved of the old-age and survivors insurance program; the percent approving ranged from 75 to 85 percent. The proportion favoring the coverage of farm operators varied from 55 to 70 percent. In general, the older and the younger farmers were more in favor of coverage than the middle-aged group. Those who had some experience with old-age and survivors insurance or were acquainted with its provisions tended to favor the coverage of farmers more than those with little or no knowledge of the program.

From February 1 through March 5 of this year, the Bureau of Old-Age and Survivors Insurance received 8,567 inquiries, both oral and written, about old-age and survivors insurance for farm operators. Of these inquiries, 79 percent were in favor of old-age and survivors insurance coverage, 7 percent were opposed to coverage, and 14 percent were noncommittal.

A study similar to those made in Connecticut, Wisconsin, and Texas, was made in June 1954 by the Kentucky Agricultural Experiment Station in cooperation with the United States Department of Agriculture. A preliminary report on this study, which was made in Harrison County, Ky., shows that among the sample group of 204 farm operators, 89 percent generally approved of the old-age and survivors insurance program. Seventy-seven percent of the farm operators interviewed felt that farm operators should be covered by old-age and survivors insurance, 9 percent felt that they should not be covered, and 14 percent were uncertain.

Senator GEORGE. We will have to go into it much later.

The CHAIRMAN. We will have witnesses on that.

Senator GEORGE. I think you have three relationships when you come to your farmworkers.

For instance, when I had some judgment about farming—I confess I have not now—I owned some land. I placed on the land, we will say, B. I did none of the physical work. I did keep some books and some records that I had to keep. I furnished whatever advice and direction I could to him.

Senator BENNETT. Senator George, did you furnish him any capital?

Senator GEORGE. Oh, yes, I furnished him capital, certainly. I furnished capital straight through.

Then B, in turn, had quite a number of people who worked for him on the farm.

There are three relationships. I might be regarded as a farm operator if I furnished the capital, kept the books and records, and if I offered advice and gave direction as to how we should plant and what percentage of crops we should plant, although I did no actual work. But it seems to me that I would be a farm operator.

Mr. BALL. Senator, did he share the crop with you?

Senator GEORGE. Yes, he had half of it.

Mr. BALL. The point here is that there is a specific exclusion in H. R. 9366 that takes out of farm income your share of the crop if it is paid to you, the owner, as rent.

If he has paid you a share of that crop as rent, then there is a specific exclusion of that. So you would not be covered in that

situation. If it weren't a share rental situation, but you performed management and decision making services with another man on the farm, and it was a partnership arrangement, then you would be covered.

Senator GEORGE. Yes, except our law says that the relation of master and servant applies. That is just one of the difficulties about it, as I see it.

You have got a whole flock of issues and questions that only the courts can decide. I don't know what they will decide if you get it into the Federal courts. Go ahead, because I realize it is a difficult point to resolve here now, and I am taking up the Secretary's time.

Mr. CHRISTGAU. We will come back to the manner in which the farmers report their income and report the farmworkers. When the discussion started, I indicated that about three and a half million State and local government employees who are now covered by their own State retirement systems and who are not now covered under the present provisions of the law are recommended for coverage.

The next substantial group is that of professional self-employed.

In another chart I will show you a breakdown of the makeup of that group. Then the next groups recommended for coverage are about 200,000 additional domestics. Then there are ministers—about 250,000 of them—who would come in under pretty much the same provision as that under which lay employees of religious and other nonprofit organizations are now covered.

Then down at the bottom, the small segment marked "Others" represents small groups of people not now covered who would be covered by the bill, such as fishermen in small boats, certain industrial home-workers, American citizens employed by foreign subsidiaries of American corporations, and certain groups of Federal employees such as the employees of district home loan banks.

That constitutes the area of new coverage, and we will have a further breakdown of some of those in succeeding charts.

Senator GEORGE. In the case of State, and county, and municipal employees, the State or county or municipality has to make the contribution to the system?

Mr. CHRISTGAU. Yes.

Senator GEORGE. Just as any other employer?

Mr. CHRISTGAU. That is right.

Senator GEORGE. Is that based on the consent or approval of the political division?

Mr. BALL. Yes.

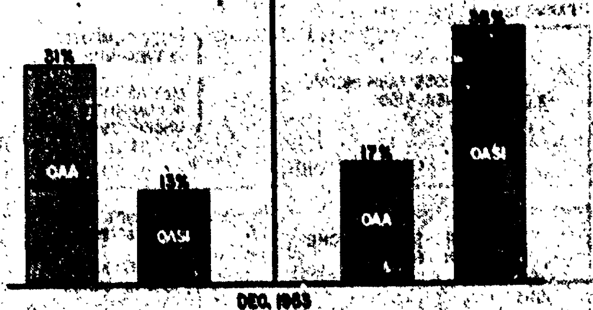
Secretary HOBBY. It is a voluntary arrangement. They have a referendum, so to speak, Senator, to decide whether or not they will come into it.

Senator GEORGE. And the State has to assume that obligation if they come in as State employees?

Secretary HOBBY. Yes.

Mr. CHRISTGAU. One of the points made in the discussion so far was the inadequacy of coverage in the rural communities on OASI.

(The chart entitled, "Percent of Aged Population: In Farm Counties; in Nonfarm Counties," follows:)



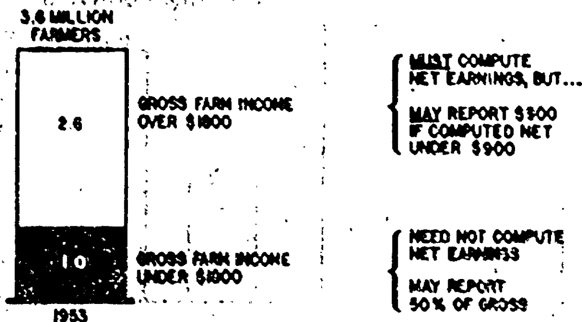
This chart, OAA and OASI, shows the percent of aged population in farm counties and in nonfarm counties.

A farm county is considered one where 50 percent or more of the population lives on farms. You will note in the nonfarm counties, in the industrial areas, 36 percent of the population is entitled to OASI benefits and only 17 percent receive old-age assistance.

If you come over here to the farm counties, it shows rather graphically the inadequacy of farm coverage. Nearly one-third, or 31 percent, of the people in the aged population are on old-age assistance. Only 13 percent have the benefits of OASI.

It shows quite graphically what the administration is trying to overcome by its recommendation that OASI coverage be expanded in these rural areas. Fewer and fewer of the aged farmers and farm workers would have to resort to old-age assistance; they would have the benefit of old-age and survivors insurance.

(The chart entitled "Farmers—Optional Reporting Method," follows:)



Mr. CHRISTGAU. The Secretary referred to the group of consultants who were called in to work with the Department on the problem of increased coverage.

They, along with people in the Department of Agriculture and the Treasury Department, developed an optional method of farmers reporting. You will recall that one of the problems—and Senator George, you referred to it—of farmers has been the problem of reporting their income.

As illustrated in this chart of the proposed optional reporting method, we provide a simplified method which many farmers could use in reporting their earnings for social-security purposes.

The proposed coverage of the farm operators as we indicated is 3.6 million farmers. Approximately 2.6 million have a gross income of over $1,800. The problem area is generally with small farmers. There are about a million who have a gross income of under $1,800. To avoid the necessity of computing net income involving a detailed record of expenditures, depreciation, and so forth, this proposed optional reporting system was developed. Under this optional method, farmers with a gross income of under $1,800 could merely report 50 percent of their gross income, which would be presumed to be their net income for social-security purposes.

Senator BYRD. Mr. Chairman, I would like to raise a question in regard to these migrant workers that go from farm to farm, how are you going to find out when they have earned $200? They work for 1 farmer 1 day and another farmer the next day and so forth.

Mr. BALL. Senator, the test is how much they are paid by the same employer.

Senator BYRD. In other words, when the same employer pays $200, then they come under this?

Mr. BALL. Yes, that is H. R. 9366.

Senator BYRD. You don't have to find out if they have earned that from some other employer?

Mr. BALL. No, sir.

Senator CARLSON. Mr. Chairman, as I notice that chart on the optional reporting, that follows somewhat the method used by the Bureau of Internal Revenue. If you want to use the short form for under $5,000, you can.

Secretary HOBBY. I would like to add that Internal Revenue sat with us in developing this method of reporting.

Mr. CHRISTGAU. The farmers who have a gross income of $1,800 or more ordinarily would report the same as self-employed people now report. They would compute their net earnings and report on their regular income tax form with one exception—that is, if the farmer has gross income of over $1,800 but did not have a net income of at least $900, he could report a $900 income. This was designed primarily in case the farmer has some losses of crops and so forth. That is, he might have a substantial gross income but little or no net income. He could report the $900.

This simplified method of reporting, we feel, would eliminate one of the barriers to the extension of farm coverage.

Senator GEORGE. Does that take into consideration only the crops that are actually marketed or sold or the portion of the crop that is consumed by the one with less than a $900 income?

Mr. BALL. Only the part that is sold, Senator.

Senator GEORGE. It is sales that would have to amount to $1,800 in order for him to take the $900?

Mr. BALL. Yes.

Senator BUTLER. How about the man who is on an inventory basis?

Mr. BALL. This option is not open to him, Senator. This is for the great bulk of farm operators who are on a cash basis.

The whole thought of the proposal was aimed at the small farmer who didn't keep books—to give him an easy method.

Our understanding is that most farm operators who are on an accrual basis are the larger farmers and, of course, they would have to keep books anyway, so it is not really necessary for that group.

Senator BUTLER. Does the man who is on an inventory basis pay at the end of his fiscal year?

Mr. BALL. Yes, Senator, in connection with his income tax.

Senator BUTLER. Would it be added to his tax that he pays to the Internal Revenue?

Mr. BALL. Yes.

Senator BUTLER. Most of them are on a quarterly report now. They report their estimated income and pay a tax on that.

Mr. BALL. This is only in connection with the final report. They would pick up the figures from their income tax return and put it on a supplementary form.

Senator BUTLER. So this will not further complicate the estimated reports that they make during the year?

Mr. BALL. No, sir.

Senator BYRD. I would like to ask about a corporation that has an agricultural operation.

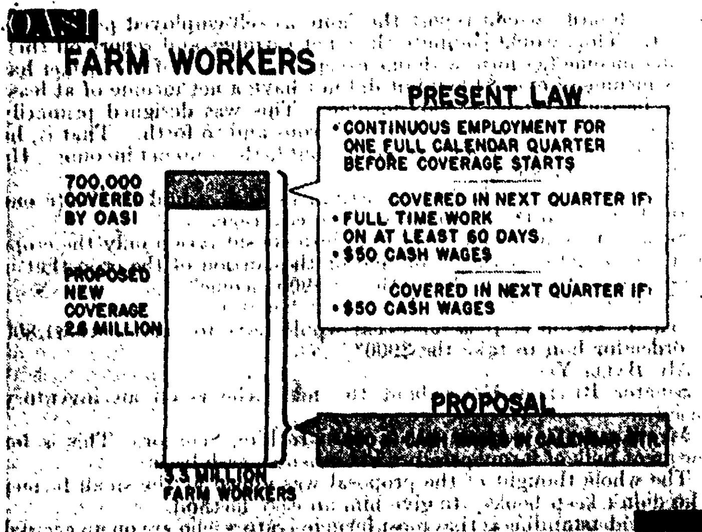
The corporation would be the employer. Would the directors or officers of that corporation who do not directly work on the farm come under it?

Mr. BALL. No, Senator, the officers of a corporation are defined as employees in the act, not as self-employed persons.

Senator BYRD. In other words, they wouldn't have to work on the farm itself. They would be in a managerial capacity, I suppose, even though they never saw the farm.

Mr BALL. They are employees by statute.

(The chart entitled "Farm Workers," follows:)



Mr. CHRISTGAU. This next chart shows the proposed extension of coverage to additional farmworkers.

As I indicated a moment ago, there are now 700,000 covered under OASI and it is proposed to cover another 2.6 million, making a total of 3.3 million farmworkers to be covered.

One of the reasons that there are such a few covered now is that it was originally intended to cover only the regularly employed farmworkers. As a result of that, a rather complicated test for farm coverage was developed. I would like to point out in brief what that test is.

Before a farmworker can be covered now under the present provisions of the law he has to be continuously employed for one full calendar quarter before coverage starts.

That is often referred to as a qualifying quarter. If he were hired the first of the year, he would work on through March, and that would be his qualifying quarter. Then the next quarter he would be covered if he does full-time work for that employer on at least 60 days and is paid at least $50 in cash wages. That would be the second quarter.

Then the third quarter, he would be covered if he is paid at least $50 in cash wages, but he would lose his coverage the next quarter and would have to start all over again if, during that third quarter, he didn't do full-time work on at least 60 days.

As I indicated, that was designed primarily to include only the regularly employed farmworkers and, in general, it covers only a worker who worked at least 5 or 6 months for the same employer. I think the members of the committee will recognize that there has been a great change in the farm labor supply, especially in the Northwest, where you no longer have as many continuous year-around farmhands as they used to have. And as a result of that it is tougher and tougher for the farmers to get workers.

The administrative proposal would substitute a simple coverage test for the present test; the only requirement for coverage under the new proposal would be that the worker be paid at least $50 in cash wages by an employer in a calendar quarter. So any farmworker would be covered if in any calendar quarter he is paid at least $50 in cash wages by an employer.

Senator GEORGE. You have no qualifying quarter?

Mr. CHRISTGAU. That is right.

Senator GEORGE. Perhaps it is covered elsewhere in the bill, but how do you classify naval-stores workers, such as in turpentine? They are specifically excluded from coverage under the present law. This is the man who works his own pine trees and gathers gum. He is regarded technically, under the law, as a farmer.

Mr. BALL. That special provision is eliminated, Senator George, in H. R. 9366. They are treated as all other farmworkers are treated.

Senator GEORGE. Is the naval-stores worker a farmworker, the man who does the manual labor? He is the most elusive farmer on this earth, because he works half a day and quits. He travels around when he pleases and comes back when he wants to.

Mr. BALL. Under the bill he would be a farmworker, but he wouldn't be covered unless, under the bill, he met a test of $200 in cash wages from the same employer that year.

Senator GEORGE. They make that much.

Mr. BALL. It has to be from the same employer.

Senator GEORGE. But he would be regarded as a farm employee?

Mr. BALL. Yes, sir. If he met the common-law test of employee.

Senator GEORGE. That is correct under the bill?

Mr. BALL. Yes.

Senator BYRD. Let me ask this question. Take a migrant worker, an alien resident, who comes in the country and works on the farm harvesting. Do they come under the bill?

Secretary HOBBY. Yes, sir; if he meets the wage requirement.

Senator BYRD. I understood the Mexicans do not come under it.

Mr. BALL. If you are referring, Senator Byrd, to the Mexican contract workers, they are specifically excluded.

Senator BYRD. Up in our country we get a lot of people from the Bahama Islands to pick apples.

Mr. BALL. They would be covered if they meet the $200 a year cash wage test.

Senator BYRD. But if I get those same people from Mexico, they are not covered?

Mr. BALL. That is a specific exclusion under that contract.

Senator BYRD. But Puerto Ricans are covered?

Mr. BALL. Yes.

Senator GEORGE. The Mexicans can come in for 6 weeks and the period under the agreement can be extended so they get 8 weeks' work on the farm. Would they be covered where they are regular farm employees?

Mr. BALL. All Mexican farm workers who are brought into this country under those agreements between our Government and Mexico are excluded from old-age and survivors insurance coverage.

Senator BYRD. But that is the only class of foreign labor that is excluded?

Mr. BALL. Yes.

Mr. CHRISTGAU. Mr. Chairman, I might point out the difference between the House bill and this proposal.

Senator Byrd referred to the provision in the House bill requiring the worker, instead of being paid $50 in cash by an employer in a quarter, to be put on an annual basis and be paid $200 a year by an employer.

The House committee had in mind when they developed that proposal to eliminate what is called the day-haul worker, where they are hauled out in the morning and hauled back at night.

It is often made up of teen-age workers who pick strawberries and cherries and do that sort of thing. They are concerned about requiring an employer to report a substantial number of small groups who work only seasonally, and in an attempt to eliminate them, they increased the earnings requirement from $50 a quarter to $200 a year. In most cases, the $50-a-quarter test would eliminate most of those teen-agers and other short-time workers.

As you will note, the $50-a-quarter test would cover about 2.6 million additional farm workers; the House provision would reduce that coverage and make it about 1.3 million less. So it substantially reduces the proposed coverage.

Senator BYRD. If a teen-age worker does make $50 in a quarter, that teen-age worker would come under it; is that correct.

Secretary HOBBY. Yes.

Senator BYRD. A good many of them do much better than that.

Secretary HOBBY. Yes.

Senator GEORGE. As changed by the House bill, he wouldn't come under it unless he made $200 in a year?

Secretary HOBBY. That is right.

Senator BYRD. A teen-age worker has to make $200 in a year; is that right?

Secretary HOBBY. Under the House bill, Senator Byrd.

Mr. CHRISTGAU. The House bill eliminates from coverage a group that many people are desirous of seeing covered, and that is the migratory worker.

There are about 300,000 of those who move from one employer to another in accordance with the season. By adopting the House proposal under which a farm worker would have to be paid cash wages of $200 or more a year by an employer in order to be covered, you would eliminate many of those migratory workers whom we hope can be covered.

Senator GEORGE. It is very unfair to the worker who works a full quarter or maybe 2 quarters and yet he doesn't get $200 for that work, and he is not covered. He gets no credit; does he?

Secretary HOBBY. Not only that, Senator, but those are the people who wind up on old-age assistance.

Senator GEORGE. Yes, that is true.

That is rather unfair to the worker. Of course, it is helpful to the man who employs them, because it is so difficult to keep records on them all.

Senator BUTLER. What opportunity of fraud is there among the migratory workers?

One fellow's name is Jones when he works for one man, and his name is Smith or Jackson when he works for the next fellow.

Is it possible for him to collect old-age insurance as many times as he changes his name?

Secretary HOBBY. It is by the numbers. He has a number.

Senator BUTLER. Well, he gets a different number each time he changes his name.

Mr. BALL. When the time came to apply for benefits, Senator, he would be required to have various kinds of proof.

Ordinarily, he would have to prove his age, for example. He would also have a very much reduced wage record. He probably wouldn't be eligible if he went through the process you suggested.

Then we would send the check, of course, to a mailing address that he would give us.

Senator BUTLER. I think there are a lot of people employed now who have many different addresses and a good many different names.

Mr. BALL. Yes; but for a person to be successful in an attempt to draw retirement benefits on more than one wage record would require very careful long-range planning and a great deal of luck. I would think success would be quite unlikely.

Persons who apply for more than one social security number are usually detected when their account number application is screened in our national index, which now has about 145 million names. Names that are similar in sound are brought together and investigated at the time the number is issued. The spelling doesn't make any difference since we use a phonetic index system.

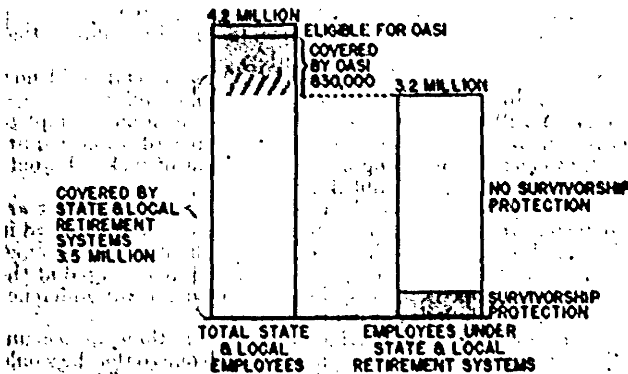
Then in addition if the individual did receive more than one account number he would have to work enough under each one so that he would have insured status under each when he reaches age 65. The amount of benefits under each account, of course, would be reduced by any periods during which earnings were charged to another accuont so that in the situation you described the attempt would be to secure multiple benefits at the minimum or near minimum amount of $25 or $30 as against a much higher amount from a single legitimate wage record.

When the individual filed his applications for benefits he would have to put on each one the varying identifying information given many years ago on the various applications for social-security numbers. If there were any discrepancies in this information, they would be investigated. He would have to furnish proofs of the various dates of birth he alleges. If there were any long lapses in the wage records, the field office would make inquiries about them.

Assuming the individual's claims were allowed, he would still run the risk of detection even if checks were delivered to different addresses. We have periodic spot checks on beneficiaries on a sample basis. These spot checks also are made through personal interviews and contact is made at the address to which the checks are delivered. The individual would run the risk of detection at this as well as at the other points I have mentioned and would of course be subject to severe penalties for fraud if he were detected. I would think that the chances of a migratory worker or of anyone else successfully obtaining multiple retirement benefits would be very small. The fact that the benefits are based on a lifetime wage record makes it very difficult to perpetrate such a fraud.

Mr. CHRISTGAU. The next group that we will come to are State and local government employees.

(The chart entitled "State and Local Government Employees," follows:)



Mr. CHRISTGAU. As I indicated a while ago, the total number of State and local government employees is 4.2 million. Coverage under old-age and survivors insurance is now available to approximately a million State and local employees. In addition to about 270,000 who under Federal law have the privilege of coming under but the States and localities have not yet brought them in. There are about 830,000 State and local government employees now covered by OASI. The cross-hatching represents workers who are covered under a State and local retirement system and under OASI. That results from the fact that in some instances, they adopted a new supplementary State retirement system since they were covered by OASI.

I think in your State, Senator Byrd, they abolished their State retirement system and came in under old-age and survivors insurance, and then reenacted a State supplementary system.

It is a rather cumbersome method of getting what they desired to get.

Senator BYRD. But that didn't apply to the schoolteachers, did it? The schoolteachers still keep their same system, isn't that correct?

Mr. CHRISTGAU. I believe the teachers were brought under old-age and survivors insurance and also under the State supplementary system.

There are approximately 3.2 million who do not have the OASI coverage and who will be brought in under the proposal.

One of the inadequacies of the State retirement systems is the lack of survivorship protection. Only a limited number, about 350,000 in State and local government retirement systems, have survivorship protection. By coming under OASI, which is the proposal, they gain that protection.

As we previously indicated before anyone covered by a State or local retirement system could come in under the old-age and survivors insurance program, there would have to be a referendum in which a majority of the eligible retirement system members, would have to participate and two-thirds of those voting would have to vote for coming in under the system.

Senator GEORGE. That covers the policemen?

Mr. CHRISTGAU. No, I overlooked saying that there are about 200,000 policemen and firemen who would not be eligible for old-age and survivors insurance coverage under our recommendations nor under the House bill.

The CHAIRMAN. How about schoolteachers?

Mr. BALL. They would be eligible, both under H. R. 9366 and the proposal.

Senator MARTIN. Mr. Chairman, may I ask a question? Is it possible for teachers in any State to retain their State retirement funds and go into this also?

Mr. CHRISTGAU. Yes.

Secretary HOBBY. It corresponds to the OASI base in the private industry pension plans.

Senator MARTIN. They would have to do that, by a two-thirds majority, and a majority taking part in the referendum?

Secretary HOBBY. Yes.

Mr. CHRISTGAU. The next chart, nonfarm self-employed, shows that most of those are already covered.

(The chart entitled "Nonfarm—Self-Employed," follows:)

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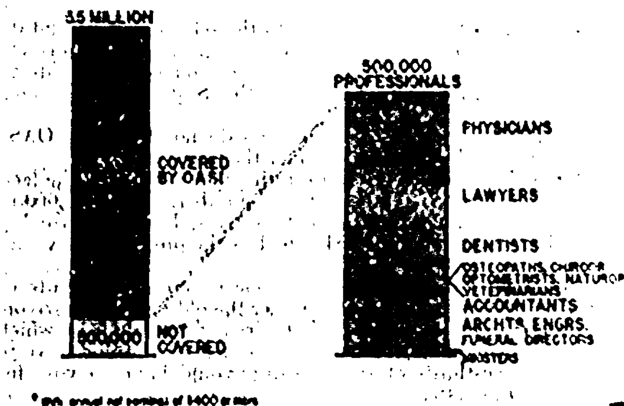
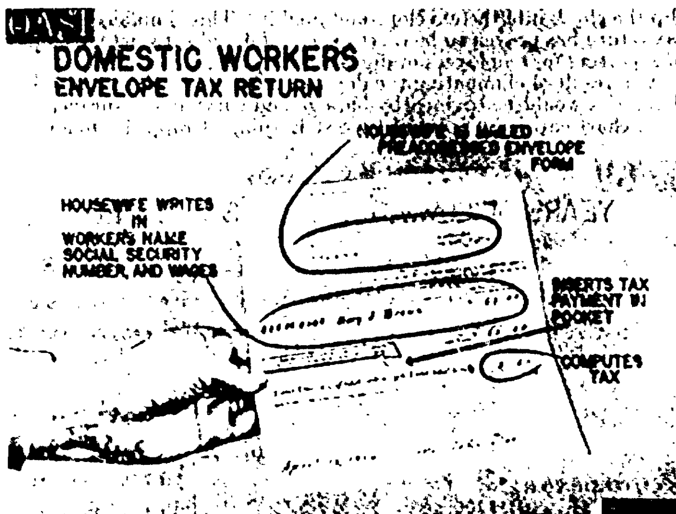


Mr. CHRISTGAU. There are a total of 5.5 million nonfarm self-employed people. Five million are already covered under the present provisions of the law, and it is proposed to include another half million, including physicians, lawyers, dentists, osteopaths, accountants, architects, and funeral directors.

The provisions of the House bill differ from the recommendation only with respect to self-employed physicians and self-employed ministers (including Christian Science practitioners). The recommendation was for the coverage of physicians. The House bill would not cover self-employed physicians but would cover self-employed ministers, including Christian Science practitioners.

As you recall, a self-employed person is an individual who has at lease $400 in net earnings from self-employment in a year.

(The chart entitled "Domestic Workers, Envelope Tax Return" follows:)



Mr. CHRISTGAU. I indicated a while ago that the proposal also calls for increasing the number of domestics who are covered. At the present time, domestics are covered if they meet a test, similar to the present coverage test for farmworkers, though not as complicated as that test.

Under the present provisions, a domestic has to work for 1 employer on at least 24 days in a calendar quarter and be paid at least $50 in cash wages in that quarter by the employer. The proposal is to eliminate the day test and make the coverage the same as recommended for farmworkers, $50 in cash wages by an employer in a quarter.

One of the problems, as I know the members of the committee will recall, when it was first proposed to cover domestics, was the problem of reporting. It was thought that housewives would find quarterly reporting extremely difficult. As a result, there is a simplified method of reporting which has turned out to be very successful.

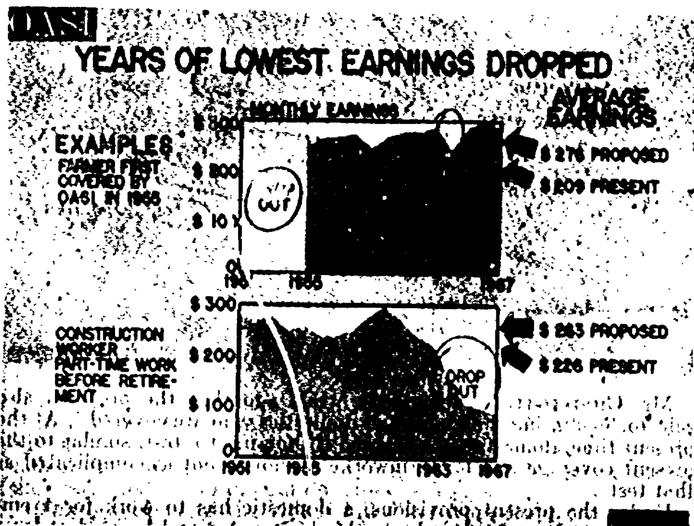
The CHAIRMAN. What has been the experience as far as reporting is concerned by employers of domestics?

Mr. CHRISTGAU. It has been very favorable. Both the Bureau of Internal Revenue and the Bureau of Old Age and Survivors Insurance are quite pleased with the results. I think the members of the committee probably have the envelope reporting form before them. You will note it is a self-addressed envelope sent out quarterly to the housewife and all she needs to do is to write in the name and social security number of her worker and the amount of cash wages the worker was paid during the quarter, and compute the amount of social security which is 2 percent for the worker and 2 percent for the employer. On $65, it would make a total of $2.60. She can then

slip the check into the envelope and mail it. This simplified envelope tax return has proven to be a very successful and satisfactory method of reporting for employees of domestic workers.

As a result of eliminating the day test, approximately 200,000 more domestics would be covered by old-age and survivors' insurance.

(A chart entitled "Years of Lowest Earnings Dropped," follows:)



Mr. CHRISTGAU. We are now ready to discuss recommendation No. 2, dropping the years of lowest earnings in computing benefits and modifying the insured status requirement.

The members of the committee will recall that benefits are based upon the average monthly earnings of a worker. In this particular case, we will take the illustration of a farmer who is newly covered by this proposal. His coverage would start January 1, 1955. In general, under present law, all the period subsequent to 1950 is used in computing an individual's average monthly earnings, except for those workers who find it an advantage to go back to 1936.

We will take the farmer who, on the average, earns between $200 and $300 a month. Since benefits, in general, are computed on average earnings after 1950, his coverage, starting in 1955, leaves 4 years in which he has no covered earnings. The provision that the Secretary referred to as a dropout would allow him to drop out those 4 years with no covered earnings. Then he could also drop out 1 additional year, if he had 20 quarters of coverage, and that will be a year of low or no income.

With that dropout provision which avoids the necessity of a new start, his average monthly earnings up to 1967 would be $276, as against $209 without it.

The CHAIRMAN. I am not quite sure that I followed you. It is my fault, because I was thinking about something else. I will ask you, if you will, please, to give us the gist of what you have talked about up to this time.

Mr. CHRISTGAU. You will recall that the benefits are based upon the average monthly earnings in covered employment, and that this average may be computed over the period starting with 1951. In this particular case, the farmer retired in 1957.

In order to determine what his benefits were at the time of retirement, we would figure his average monthly earnings during that whole period. What we want to illustrate here is how he is helped by the dropout proposal.

The CHAIRMAN. What is the dropout proposal?

Mr. CHRISTGAU. The dropout is a proposed method for removing the adverse effect on average monthly wage for persons who would be brought under the program by the bill in 1955. The farmer in our illustration would have no covered earnings from 1951 to 1955. If those months were included in the computation, it would lower his average to $209. But by dropping out those 4 years of no covered earnings, his average monthly earnings are $276.

The CHAIRMAN. That is entirely average?

Mr. CHRISTGAU. Yes.

The CHAIRMAN. Is the dropout advantageous?

Mr. CHRISTGAU. As you know, his monthly earnings are now the base on which benefits are computed.

The CHAIRMAN. So there is no point there?

Mr. CHRISTGAU. No. Now, the other illustration would be the one of the worker who is covered at the present time, under the law, and who was in coverage in 1951. We will take for our illustration a construction worker who, during his working period, generally earned between $200 and $300 a month. But in the later years of his life, he couldn't work full time, and his earnings were reduced. He could drop out 5 years of low earnings. Then his earnings would be computed with that 5-year dropout.

It would benefit him to this extent: Without the dropout, his average monthly earnings would be $226, but with the dropout, it would be $263. So this proposal brings the average monthly earnings upon which benefits are finally based in much closer relationship to what his earnings really were during his working lifetime.

The CHAIRMAN. Offhand, that seems to me to be very fair.

Senator CARLSON. Would it be fair to state that it is a sort of bonus that is given for a 4-year period during that working period?

Mr. CHRISTGAU. It really corrects what otherwise would be an inequity. If we could go back and reconstruct his earnings and base his earnings on that blank period, it would not be necessary.

Senator GEORGE. That would be applicable only to the case where they are now brought under coverage?

Mr. CHRISTGAU. That is not quite right.

Senator GEORGE. And had not previously been eligible for coverage?

Mr. CHRISTGAU. It can be used, Senator, also for those who have been covered in the past.

Senator GEORGE. You eliminate the new start in this bill, but those who came under that would qualify for that benefit?

Mr. BALL. It is just that there is no second new start.

Senator GEORGE. They don't lose what they have already gained?

Mr. BALL. No; the new start given in 1950 is retained in all respects. This takes the place of having to give a second new start.

Senator GEORGE. You bring in newly covered people?

Mr. BALL. Yes.

Senator LONG. Is any allowance now made for the fact that you have had a lot of inflation since the beginning of the program? Do you attempt to offset that somehow, or is that just in the increased benefits that were allowed in the last Congress?

Mr. BALL. This would have some relation to that, Senator. By allowing an individual to drop his 5 years of lowest earnings, those might be the lower wages of an earlier period. This will have particular meaning as wages increase in the future. Yes; it does have a relationship to inflation.

Senator LONG. He can drop 5 years. Then if he found that the years 1939 to 1944 were his lowest earning years, he could drop those out and average the subsequent years for his own benefit; is that right?

Secretary HOBBY. That is right.

Mr. CHRISTGAU. I failed to point out that the years of lower earnings need not be consecutive. You can pick them out in any lapse of time.

Senator LONG. The point I had in mind is that if a man were making $150 back in 1939, that would be the same as about $300 today. The best you can do for him is just to let him ignore that and hope that he is making $300 now, and average it out on the basis of what he is making today. That would be what you would have to do for that person.

Mr. BALL. Yes. For the majority of people from here on, they will be able to figure their benefits from 1951. It is going to be a relatively rare case that you have to go back to 1937, in any event. The new start was put in in 1950, on the basis of the reasoning that you suggest, Senator.

The CHAIRMAN. Senator Carlson, do you have a question?

Senator CARLSON. Senator Long brought out the point I had in mind. A man with an average earning record from 1951 to 1967 is also given the benefit of this 4-year dropout period.

Secretary HOBBY. Yes.

Mr. CHRISTGAU. The Secretary will now continue on page 33.

Secretary HOBBY. Mr. Chairman, in addition to incomplete coverage, you will recall that I referred to certain inadequacies and inequities in the benefit structure of the old-age and survivors insurance system. I will now discuss the next two proposals contained in H. R. 9366 which are designed to remedy these shortcomings.

The third recommendation listed on the large chart is:

3. RAISE EARNINGS BASE TO $4,200

The maintenance of a relationship between the individual's earnings and the benefits he receives is a cornerstone of the OASI system. However, only the first $3,600 of a worker's annual earnings are taken into account for contribution and benefit purposes.

Earnings levels have continued to rise since 1950, when the $3,600 base was established. As a result, more and more workers have only

part of their earnings credited. The benefits they now receive upon retirement or that their dependents receive in the case of death represent a smaller proportion of the actual earnings loss than was contemplated at the time the wage base was set at $3,600.

Moreover, as the earnings of more workers exceed the maximum fixed in the law, differences in their earnings no longer result in differences in their benefit amounts. A substantial proportion of beneficiaries thus tend to get about the same benefit—not because their earnings have been the same, but because their earnings have exceeded the maximum that can be counted under the system. A rise in the earnings base is, therefore, essential to the effective maintenance of the principle that benefits should reflect differences in individual earnings.

Another aspect of the present low wage base is that, as earnings rise, a steadily diminishing proportion of the Nation's covered payrolls is available for financing social security. That is, the proportion of covered payrolls which was contemplated as the tax base for the support of the old-age and survivors insurance system is presently not serving this purpose.

For these reasons, the administration recommends, and H. R. 9366 provides, that the maximum for annual earnings creditable under OASI be raised from $3,600 to $4,200.

J. INCREASE BENEFIT LEVELS

In addition to amending the law so that benefits would more adequately reflect the increased earnings of workers under the system, we believe that benefits generally ought to be larger.

It should be noted that old-age and survivors insurance benefit levels were originally fixed in the mid-1930's, during a depression economy. Benefit increases enacted by Congress since then have done little more than keep pace with the inflationary trend which our Nation has heretofore experienced. In my opinion, a readjustment in benefits to take into account the improved standard of the basic elements of living for the American worker is necessary.

A further consideration in fixing benefit levels is that low old-age and survivors insurance benefits result in a need for substantial supplementation through public assistance payments.

Of course, OASI is not intended to serve as a substitute for private savings. Rather, it should serve as a base upon which the individual will be encouraged to build, through savings and private insurance, toward greater retirement and survivorship security.

The fact is that today OASI does not provide an adequate base. Thousands of old-age and survivors insurance beneficiaries receive the minimum benefit of $25 a month. The maximum benefit for an individual is $85 a month. These benefits are too low, under today's conditions, for old-age and survivors insurance to fulfill its purpose of providing basic retirement and survivorship protection and reducing the need for public assistance to the lowest possible level.

Senator LONG. In my State, the theory works the other way around. You advocate that these benefits should be the beginning upon which a good retirement system should be built for the individual. In Louisiana, around 75 percent of those over 65 are in need of old-age assistance, and the State has made a great effort to

provide what is needed. The system in Louisiana is to find that a person is receiving a $10 social security check or a $15 check, and to proceed to subtract that from his old-age assistance check which would otherwise be around $55. As fast as we increase these old-age and survivors insurance benefits, that is immediately deducted from the old-age assistance payment, with the result that there is no increase at all, as far as that person is concerned. The payments that he has made to get old-age and survivors insurance net him nothing.

I would say that is the case in the majority of those people.

Secretary HOBBY. As you know, the 48 States have 48 different systems. Some States are meeting 85 percent of the need or 40 percent of the need or 100 percent. I think you have got 70 or 75 percent in your State of the aged population past 65 on old-age assistance payments, as I recall.

Federally, as you know, and properly so, we can't control that.

Senator LONG. Here is the problem we have. Our State will match you in taking care of these migrant workers and farm workers and these various people in low-income brackets. But if the system remains the same—and I see no change in this respect—that person is not going to net anything for what he pays for social security, because his check would be less than the $55 of State assistance, and the result would be that whatever he gets would be deducted from his old-age assistance.

Secretary HOBBY. Mr. Ball, would you comment on it?

Senator LONG. They call it the old-age pension in my State.

Mr. BALL. It is our hope and expectation that with the extension of coverage to farm people, in the future individuals will not have to apply for the old-age assistance at all, but with adequate old-age and survivors' insurance benefits, and covering the farm people in your State, very few people would have to come on the old-age assistance rolls in the first place. It is true that for those who are already there, already receiving old-age assistance and also getting old-age and survivors' insurance benefits, if you increase old-age and survivors' insurance, under the needs test approach, their old-age assistance amount would be reduced.

Senator LONG. The problem we have is that unless you can increase your minimum above $55, the old-age assistance program will always have greater assistance to those individuals and anything less than $55 would have to be deducted from what they would receive under old-age assistance.

Mr. BALL. Under the formula, an individual who averages $100 a month over his working time would get $55 from OASI. At present wage rates and expected wage rates, I would guess there would be few people, when they have an opportunity to drop out their 5 lowest years and also have an opportunity under these proposals not to have counted against them any periods of total disability, and with wage rates what they are—certainly, the great majority of people would have benefits at $55 and above.

They would have to have very low earnings, below $100 a month, to have benefits below $55. That is even under the present law.

Secretary HOBBY. Senator, I don't know whether you were here when we discussed the farm counties and the nonfarm counties.

Your State and mine are very much alike, both being agricultural States.

Some of the things you mention are true. Some of the proposals in here are attempts to correct this. This is not going to be corrected overnight, even if we are able to cover more agricultural workers, but eventually, it will meet much of the problem in your State.

You have a great many people in your State on old-age assistance simply because they have not had an opportunity for OASI. Then there is some supplementation, too, as you know.

Senator LONG. I had some part in the State plan that was adopted in Louisiana in 1948 before I came to the Senate. At that time, the administration there would have liked very much to just eliminate the needs test and provided the $50 pension across the board, if the Federal Government would have matched on it, or if it could have been done without losing the Federal matching, the State would have been interested in doing that. But it was absolutely required that the needs test be adhered to because otherwise we couldn't get Federal matching.

I wonder what would be the attitude of the agency that you represent if we were to suppose that a State could, in determining need, ignore these social security payments. If a person is getting $10 or $15, simply to receive their old-age assistance without reference to the income under social security?

Secretary HOBBY. Senator, I believe that you would be defeating the purpose of old-age and survivors insurance if you were to do that.

Senator LONG. What is your minimum under this bill for old-age and survivors insurance?

Secretary HOBBY. The minimum is $30. There is a chart coming a little later which brings out the scale. If you were to do what you propose, you would defeat the purpose of the program.

Senator LONG. In Louisiana, 70 percent of those over 65 are on old-age assistance. I believe you will find that out of those drawing social security benefits, probably 85 percent of those are also drawing old-age assistance. Their social security benefits are being deducted from their old-age assistance, with the result that they have netted nothing for what they paid into the social security fund. They are no better off. That would be the same, as far as 80 to 90 percent of these people who would receive this money. I predict in Louisiana there would be more who receive $30 than those who receive more than that. The result is that those people would receive no more than they would receive under the State welfare program anyway.

What I would like to see is that they would benefit from making these payments.

Mr. BALL. Senator, if I could comment on that minimum provision, for people who are under this system in the future, it is our belief that very few would have to get the minimum benefit, that their average earnings would be high enough.

You see, it only has to be $100 a month average earnings to give them $55. Then there are these two other protections. To arrive at the $100, you are allowed to drop out 5 years of your lowest earnings, so a period of unemployment or sickness would not count against you. Then there is a provision that if you are totally disabled for a period, that would not count against you. With those 2 provisions, most

workers would average $100 or more and would get benefits of $55 or above. So, looking into the future, in Louisiana, few people would need to have the old-age assistance supplementation. They would be getting OASI of $55 or more.

It is true, for those who are already on old-age assistance, that an increase in OASI does what you say. It generally reduces their assistance by the same amount their OASI is increased. But to take your proposal and say we should not do that, but let us allow the assistance program to ignore the old-age and survivors insurance would, as the Secretary suggested, defeat the ultimate goal of having the insurance program take the place of assistance. Instead of that, you would always have assistance as a supplement in all cases.

Senator LONG. If we ever get to the point where the benefits are completely adequate under the OASI, you wouldn't need to provide old-age assistance to those people.

Secretary HOBBY. If you get enough people covered, and get the thing on a realistic basis, some of these problems will disappear.

Mr. ROCKEFELLER. If I might make one comment, Senator, it seems to me that the heart of the problem that is of such concern to you is that the basis for need is so low in the State that that is why, when the OASI payment goes up, it is deducted from your public assistance payment instead of public assistance payment being added to it. That is a determination which is in the hands of the State, not the Federal Government.

You set, in your State, what needs test shall be applied. If you change your needs test by State action, you can then add this instead of subtracting it. So it would be a matter of State action and not Federal action.

Mr. BALL. Of course, they are required, Mr. Rockefeller, to take into account all kinds of income.

Mr. ROCKEFELLER. But in adding those up, the total is so low that the effect is to deduct rather than to add, but they could change the base of that total and then have the effect he wants.

Senator LONG. If you are going to put your needs test at $100 or $150, it would bankrupt the State to try to keep the program going. If you advance it for those people, you see, you would have to advance it for everyone else by a similar amount, even though they didn't receive the social security check.

Senator BENNETT. Mr. Chairman, I was just going to make the observation that the Senator from Louisiana is reflecting an attitude which assumes that money for nothing is to be preferred over money toward which you have contributed.

If we go on the theory that money for nothing is more desirable than money toward which you have contributed, then we might as well throw the whole social security system out and go on a straight "pennies from heaven" basis, and that would make it impossible to supply even the $55.

Senator LONG. Will Senator Bennett permit me to point this out, that I had nothing to do with those people being poor. We found them that way, and proceeded to do something about it.

Senator BENNETT. I say you report an attitude on the part of your people that apparently they would prefer to get the $55 with no contribution, on the theory that that is a more desirable thing from their point of view.

Senator LONG. In Louisiana, we had 100,000 people who were in need of some sort of assistance, and we met that problem. I just wish you could have seen the difference in the way those people were living before and after we met it. We are talking about insuring people for the future here. I want to work out the best program that we can.

I like the insurance test, providing it is going to work, but as far as simply providing some benefit that is illusory, I might as well recognize that to begin with. If they are going to get an increase, fine, but I would like to vote for it knowing it will be an increase, not knowing that it will be deducted from what they would have received otherwise.

Senator BENNETT. Looking at it from another point of view, the extent to which they get income through the OASI, to which they have contributed, may not increase their total benefit, but certainly decreases the burden of the State and the Federal Government to supply them.

You go back to the question of whether the individual should carry some responsibility for his own care or whether he becomes a ward of the State in the process. I am glad we are working the thing out so that the burden on the State will be lessened and the share of the individuals' contributions would be increased.

Secretary HOBBY. The present formula provides that benefits equal 55 percent of the first $100 of the worker's average monthly wage, and 15 percent of the remainder up to $300. The formula contained in H. R. 9366 would provide for a benefit equal to 55 percent of the first $110 of the worker's average monthly wage and 20 percent of the remainder up to $350. The minimum benefit would be increased from $25 to $30. Corresponding increases ranging from $5 to $13.50 would be provided for workers now retired, with comparable increases for other beneficiary categories.

H. R. 9366 also amends certain provisions of the law affecting minimum and maximum family benefits. These amendments go somewhat beyond the provisions originally in the recommendations of the President. They provide that the minimum monthly benefit payable to any survivor, where only one beneficiary is entitled, would be raised to $30; that the maximum benefit payable to a family would be raised from $168.75 to $200—instead of $190—and that where family benefits must be reduced to bring them to 80 percent of the worker's average monthly wage, the reduction could not bring family benefits below the larger of $50 or 1½ times the worker's primary insurance amount.

Senator LONG. This point on this minimum applies to those who are presently drawing these social-security benefits. The minimum now will be increased from $25 to $30. That faces the situation we have in Louisiana. You would intend that a person drawing $25 should now draw $30. In Louisiana the average person drawing $25 is going to draw $5 more and the next day the State welfare department is going to deduct that from the $30 welfare check he is drawing. So, his increase is zero, while, on the other hand, you would intend that a person who is drawing this social security elsewhere should have the $5 increase.

Mr. ROCKEFELLER. The State could change its rule on that because the State will save that $5 and they will have a lot more money in the Treasury. They could change the rules on the strength of this in-

creased money coming from the Federal source and not increase their budget but apply that money across the board.

Senator LONG. By providing an additional $5 for everyone in the State who is drawing it.

Mr. ROCKEFELLER. They could spread it across the board. They could take the total of $5 and divide it across the board. It might not be $5, but it would give everybody a little increase and it wouldn't cost the State any more.

Senator LONG. Your agency will match us up to $55 based on existing law. If the State wants to advance it beyond $55 we don't receive any matching on that.

Mr. ROCKEFELLER. I presume you are not going much beyond that anyhow, because you are talking about $25 going to $30. I don't know what the State average is in Louisiana. Do you know?

Sneator LONG. It runs around $47 or $48.

Mr. ROCKEFELLER. So, you haven't come up to $55.

Senator LONG. There are more checks at $55 than any other amount.

Secretary HOBBY. But, you have some low enough to bring the average down to $47 or $48.

Senator LONG. But, looking to the existing situation, most of those who draw this minimum amount are going to have that deducted from the old-age assistance that they need in addition to the social security.

I would hope that we could find some way to increase the actual amount that the individuals are receiving who are drawing old-age assistance. The cost of living has advanced since their last increase. As I recall, we increased their benefits about $5 and that was about 2 years ago, during the Korean war. Since that time, we have had about a 5 percent increase in the cost of living. I would hope that we could advance the amount of benefits that those people who are presently drawing old-age assistance would be able to receive. As it is, these social-security increases are simply going to be taken out of the amount that they will receive under old-age assistance.

Senator BYRD. Does that apply to other States outside of Louisiana?

Senator LONG. It sure does.

Senator GEORGE. Oh, yes.

Senator BYRD. How many States does that apply to?

Senator GEORGE. It applies to a great many States.

Secretary HOBBY. It applies, I know, to a great many.

Mr. BALL. That would be the general rule, that if you increase the amount of income for an individual who is receiving assistance, if you increase it from any source—this is just one source—then, his need is not considered as great, and consequently you get a decrease in the amount paid under assistance. Of course in States that cannot now meet need as determined by the State, this automatic decrease in assistance would not necessarily take place.

Senator GEORGE. It's level, Senator Long, in any State where they get only the old-age and survivors insurance. They get an increase, but where you have the combination——

Senator LONG. Here is something that is going to happen with this bill. In all these industrial States where people are covered by old-age and survivors insurance and where that is looked upon primarily as the assistance for those who are aged, they are going to have very large benefits based on this bill.

On the other hand, in the States that are agricultural, those individuals who are drawing the benefits cannot now come under this bill. In other words, if a man was not in covered employment, he is not going to benefit by the fact that now you are going to cover these agricultural workers. He is beyond his productive years. He is no longer in a position to gain the benefit of the increased coverage of social security or the increased benefits. In Louisiana, for many years to come, the great majority of those who need assistance will have to get it under the old-age assistance program.

There is no increase provided for those people and even those who had social security for the most part are going to find that the benefits provided in this bill will simply be deducted from their old-age assistance payments.

Mr. BALL. Senator, the extension of coverage would have an important effect within a couple of years.

Senator LONG. You are speaking of a person who is 63 who can insure himself now and come under later?

Mr. BALL. Or over 65 but still working.

Senator LONG. I would like to give this thought to the existing situation. We have a hundred thousand people in my State who need these payments and who also need the old-age assistance payments. Those people will not share in this increase for the aged that will be for the most part reflected throughout this Nation. Even those who are covered will find it deducted from their old-age assistance payments. The majority of them will. There is no increase for them.

You can talk about everybody paying for his own social security as long as you want to, but I look upon this thing as an excise tax, because it is ultimately paid by the person who buys the product. Any employer, when he pays that 2 percent, simply adds that to the cost of the product. Isn't that correct? If I am paying 2 percent social-security tax, I don't think I have made a profit unless I make enough money to pay that 2-percent tax and make something over and above that.

Secretary HOBBY. That is true of any operating expense of a business.

Senator LONG. That is part of the cost of doing business. A laboring man thinks largely in terms of his take-home pay. The average laboring man can't tell you what his gross income is supposed to be. He will tell yo 1 how much he takes home, but he can't tell you what his gross inc)me is. He is looking at what he takes home with him.

Again, he is thinking i.. terms of that as being his cost of doing business just as much as he would think of his carfare or various expenses of working at that plant. That is in turn passed on and the agricultural areas pay for their share of this social-security program, even if those people are not insured. They are helping to pay the expense of it in one sense at least. Those people are not going to benefit from this bill.

Secretary HOBBY. It is a tragedy that the workers in agricultural States were not cov red earlier, Senator Long. The study of the farm and nonfarm counties, with regard to the people who are receiving old-age assistance as opposed to those receiving OASI, shows a very distressing figure.

Not only that, but when the family breadwinner dies in the agricultural States and the mother does not have survivorship protection for herself and her children, those children and that mother go on public assistance. This is one of the great inequities in this system when we look at the economy of the United States and see that in the agricultural States not only do the workers not have old-age insurance protection, but neither do the mothers and the children have the survivorship protection upon the death of the breadwinner.

Senator LONG. It is fine, Mrs. Hobby, to speak of these benefits that are going to accrue to a person who insures himself today and retires 2 years or 5 years in the future. But, I would like to look at the people today who need these old-age benefits, whether it is OASI items or whether it comes from the old-age assistance program.

If I were representing an industrial State where 75 percent of the people are covered by social security, I would be delighted with this bill because I could go home and tell my people that they are going to receive more benefits next year than they received the year before.

Secretary HOBBY. Sir, I think that living in Louisiana as you do, or in Texas as I do, you could also go home and tell your people you were delighted with the kind of protection this bill would give.

Senator LONG. What am I going to tell this man who is receiving a $25 check and he gets $30 and the same day he gets $30 he finds his old-age assistance check has been cut $5? You can find those already over Louisiana.

Secretary HOBBY. You can tell him to write his State legislator, not his Senator.

Senator LONG. It is not quite that simple, Mrs. Hobby. I would like to point out to you that it is beyond the ability of the State legislature to do anything about that if it must be provided entirely by State funds, without any Federal matching, although he is paying his part for a Federal program that benefits everyone throughout the Nation.

The CHAIRMAN. Will the Senator yield to Senator Carlson?

Senator CARLSON. Senator, I don't know about the people of Louisiana, but I happened to be Governor of the State of Kansas when we received a $5 Federal increase and I can assure you our mail was terrific from these people who were receiving these benefits until we gave them a $5 increase. The social welfare board met and we had to write up some new criteria, but we soon got that $5 out to those people and every one of them got the benefits of it. I think the people of Louisiana can take care of that.

Senator LONG. I regret to say that we have had this experience before. The last time I spoke around Louisiana I made about 350 speeches in a campaign and discussed this particular item in the course of every speech. Every time I mentioned the fact that when your social-security check went up $5 down went your old-age pension check by $5, there was always a whoop in that crowd because somebody had been hit by that, and that is what is going to happen in time.

Senator FREAR. Mr. Chairman, of course this is a social-security campaign we are on now, but may I ask Madam Secretary what $5 increase—I'm sorry I came in late—you are proposing to give to what segment of the people? Is it the old-age benefit or the old-age assistance?

Secretary HOBBY. This is old-age and survivors insurance.

Senator FREAR. Which means covered employees?

Secretary HOBBY. That's right.

Senator FREAR. As I understand it, the only thing Senator Long is talking about is where the old-age and survivors insurance has to be supplemented by some type of public assistance, the old-age assistance. The top level on old-age assistance is designated at a State level, is it not?

Mr. ROCKEFELLER. That's right.

Senator FREAR. The legislators of the State have to say what they will give. Then, in order to take advantage of the $5 if those people are already up to the limit, the $5 you are going to give, if Senator Long's Louisiana people receive that above $55, if that is now their State level, the only way they can get it is to increase their State level, is it not?

Secretary HOBBY. That's right.

Senator Long, I think you will be interested in these figures. A year ago the average in Louisiana was $51.25. You have a little leeway to get up to your $55 maximum on the Federal participation.

Senator LONG. The Louisiana figures averaged, on need, come up to about $85 so we can permit a man to own his own little farm and raise a few chickens and still be able to draw that old-age assistance. We don't want to discourage them from being productive.

Secretary HOBBY. You take that into account in need, though, in the payment, don't you?

Senator LONG. I regret to say, Mrs. Hobby, that there are some absentees who are going to be heard before this issue is settled. I feel sure the situation I am discussing in Louisiana applies equally as well in the State of Florida.

Senator Smathers is not here. I am speaking for him, whether he knows it or not, and I believe I am also speaking for Senator Kerr, even though he may not have been apprised of this subject at the present time.

Senator BENNETT. Mr. Chairman?

The CHAIRMAN. The Senator from Utah.

Senator BENNETT. I think if I were in Senator Long's place campaigning and facing the problem as a Federal Senator that he has described, I would be asking very vigorously what the State of Louisiana was doing with the money it saved because there was additional OASI money coming in to the State and it was thus avoiding its contradiction to this old-age assistance program.

Senator LONG. That is covered earlier in this statement, Senator Bennett, by the fact that there are more people over 65 every year than there were the year before. I think Mrs. Hobby covered that earlier in this statement. It is a steadily increasing burden and you will find that that exists in every State in the Nation.

Senator BENNETT. Then, the State of Louisiana is not attempting to maintain a per capita support, but is assuming that it is entitled to put this money in its pocket because there are more people coming along.

Senator LONG. No, as I was trying to point out, if the State of Louisiana finds its burden reduced in that regard, the same is true of every other State. The slack is immediately taken up by the fact that there are more people who will be 65 living in your State next year, than there were the year before. As Secretary Hobby pointed

out here, the number of people over 65 is going to more than double because people live longer these days, thanks to advanced medicine, and that sort of thing.

Senator BENNETT. People who need welfare assistance don't need it automatically at 65. I imagine many of those are already on the State welfare rolls before they come to 65.

Mr. BALL. Senator Long, there is perhaps one other point that might be of interest to you. The average benefit under old-age and survivors insurance in your State that is paid to the retired worker there is now $44.32. After this bill is passed, that would probably increase the average for them by perhaps $6, because $5 is the minimum increase, bringing that average up to around $50 for the old-age and survivors insurance.

As that happens, there will be some people—I don't know how large a number—who won't need to have old-age assistance supplementation as they do now. That big degree of supplementation is partly a reflection of this $44 being as low as it is. To increase that will, over a period of time, help your problem.

Secretary HOBBY. The people going on the OASI rolls now are at a much higher benefit level than formerly. The average benefit for retired workers on the rolls whose benefits were computed on earnings after 1950 is about $65.

Senator LONG. There is no recognition, yet, of the fact that these areas that have been historically agricultural areas actually do pay some share of the cost of social security, even on behalf of those who are not covered under the social-security program.

I am speaking, of course, of the fact that the tax is passed along. Today it is looked upon as a benefit that accrues to the individual who is working, paying the tax.

Secretary HOBBY. Senator, I don't know how you could do it in this law, since it is a contributory system on the employee and the employer. You would certainly have to amend he law and perhaps destroy the fundamental purpose of it if you were to regard it in a sense as an excise tax.

Senator LONG. I am sure you have given some thought to the chamber of commerce proposal, of course, that you should have a basic old age benefit for every person, regardless of need.

Secretary HOBBY. Yes, we studied it.

Senator LONG. That would, of course, apply to all of those who are presently drawing old-age assistance or any type of benefits, or not drawing any benefit.

Secretary HOBBY. Yes, we gave a great deal of study to the chamber of commerce plan.

Mr. ROCKEFELLER. Mrs. Hobby, I think the Senator can point out that while this inequity has existed in the past, that you can reassure everybody under 56 in the rural areas now that they will have a chance to come in under the system and, therefore, they can look forward to a retirement with old-age and survivors insurance benefits as in the industrial areas.

Senator LONG. You will find the person especially interested is the man living on that old-age check.

Senator FREAR. Of course, there is no difference in this law, as I understand it, with the old-age assistance program, other than it would be benefited as a supplement. In other words, the old-age assistance

program now applies to anybody, regardless of whether they are in rural areas or what.

Mr. ROCKEFELLER. That is right.

Senator LONG. Can you tell me how much the average social-security check for old-age and survivors insurance will be increased when this bill goes into effect?

Mr. BALL. Yes, it will be about $6 for the worker, himself.

Senator LONG. About $6 for the average worker on a nationwide basis?

Mr. BALL. Yes. In Louisiana is would make the two payments about the same. Your average for old-age assistance is now somewhat over $50. This increase in old-age and survivors insurance would bring it up to about $50. Now, you are actually paying somewhat more in assistance than the insurance program.

Senator LONG. Can you tell me how many persons there are in the State of Louisiana covered by this old-age and survivors insurance?

Mr. BALL. Covered or receiving benefits?

Senator LONG. Receiving benefits, yes.

Mr. BALL. It may take me just a moment to find it, Senator.

Senator LONG. Mr. Chairman, I hope the Chair will pardon me going into this subject but I believe you will find that the situation in Louisiana is reflected in many other States; particularly in Southern States. I know that would be the situation in Florida and I am sure there is a parallel situation in the State of Oklahoma.

Senator GEORGE. That is a general rule, Senator. That is certainly the case in Georgia. As these benefits increase the State drops down on its contributions as far as it can.

Senator BYRD. That is one of your objectives, though.

Secretary HOBBY. Yes, sir. I think, Senator, as the testimony progresses and you see the application of the increased coverage and the increased benefits under OASI that you will find some of the problems which are concerning you will be met.

Mr. BALL. The latest figure I have, Senator, is as of December 31, 1953. For the State of Louisiana, there were a total of all kinds of beneficiaries of 69,754. That breaks down this way: The retired workers are 31,903; wives, 8,347. The other larger category of aged people is the widows' and widowers' benefits, 4,883. Then a few parents, 431. Then in addition to that there were 19,577 children and 4,613 young widows with those children.

Mr. ROCKEFELLER. Wouldn't that put about 420,000 additional dollars from a Federal source into the State of Louisiana, if you multiplied that figure by say, $6?

Mr. BALL. That would be a month.

Mr. ROCKEFELLER. That is about $5 million a year going into the State from Federal sources. Some of this would result in savings in assistance funds.

Senator LONG. Perhaps we would like for the average retired person in Louisiana to have the same benefit that they have throughout the rest of the Nation on the average and that is to receive an extra $6.

Mr. ROCKEFELLER. You could take the savings in public assistance funds and divide it among the people who are on public assistance and you might not be able to give them $5 but you could certainly give them some increase.

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Senator LONG. Here is a point that does concern me about this matter. In these States where the average old-age and survivors insurance benefit is less than the old-age assistance, the practice will be to simply subtract that additional assistance from the benefit that these persons would otherwise receive. Looking to these individuals, instead of this serving as a basis upon which they build their retirement system, the results in them being left exactly where they were. The day that they find they received increased benefits, they found that their income was reduced by the same amount from another source. Therefore, they are not benefited.

Senator FREAR. I might point out to the Senator that the only time that would be mandatory would be when that recipient was already at the top bracket. The only way to correct that is by legislative action of the State.

Senator LONG. If he is receiving anything from the State at all, as much as $6, and you increase his check by $6, you then have to reduce him by $6.

Senator FREAR. The only time you have to reduce it is if he is receiving the maximum under the old-age assistance program.

Senator LONG. Oh, no.

Senator FREAR. The only way it is mandatory.

Senator LONG. I will explain that to you sometime, Allen. If he is receiving anything at all under old-age assistance, it has to be based on need of that money and it has to be a standard that applies to everyone throughout the entire State. So when you give him an extra $6, his need is reduced by $6.

Senator FREAR. You may have a different system in Louisiana than we have in Delaware, so I would be glad to hear about it.

The CHAIRMAN. Madam Secretary, have you finished this particular point?

Secretary HOBBY. No, sir. I have about two more pages on this particular point and then there are more charts to be presented.

The CHAIRMAN. We are going to recess pretty soon until 3 o'clock in the District of Columbia room, which is right off the Senate Chamber. We have votes coming on this afternoon so we have to be near the Senate.

Secretary HOBBY. Would you like me to continue making this one point? It will take me just a few moments.

The CHAIRMAN. I want to explain that I will have to be absent myself most of the afternoon but I will keep track of what has been said. I will be sorry to miss your entire verbal presentation.

Secretary HOBBY. I was referring to the changes in the House bill when we stopped. While we would not object to the first 2 of these 3 changes, we would not favor the further exception to the principle of the 80-percent maximum which the guaranty of 1¼ times the primary insurance amount would bring about.

Mr. Chairman, it might be well to stop at this point and review, with the charts, the last two proposals which I have described—raising the earnings base and increasing benefit levels.

If I may suggest it, Mr. Chairman, this is a good point to stop. The next two paragraphs begin the discussion and the charts on the improvement of the retirement system and point No. 6, which was the preservation of benefit rights for the disabled. I believe, with your permission, this would be a good point to stop.

The CHAIRMAN. Then, we will recess until 3 o'clock this afternoon in the District of Columbia room and continue right on. You will have all the time that is necessary.

(Whereupon, at 12:30 p. m., the committee recessed to reconvene at 3 p. m., the same day.)

AFTERNOON SESSION

Senator BUTLER (presiding). The committee will be in order. The Secretary is necessarily delayed for a little while but she asked that we proceed with the receiving of testimony from the Department.

Mr. ROCKEFELLER. Thank you, Mr. Chairman.

I think at this point it might be well——

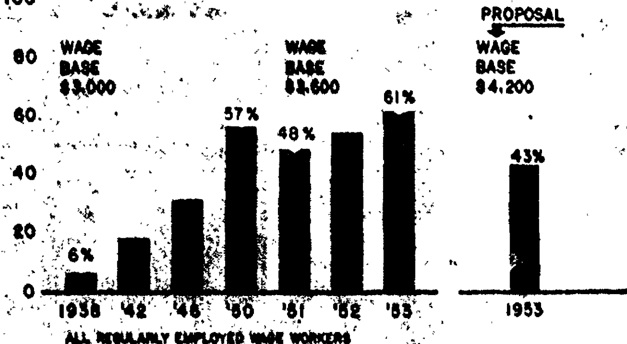
Senator BUTLER. What page are you on?

Mr. ROCKEFELLER. Page 36, the last paragraph of the Secretary's testimony. It might be well to stop at this point and review, with the charts, the last two proposals which the Secretary had just described, raising the earnings base—that is item No. 3 of the recommendations—and increasing benefit levels, item No. 4.

I will now turn it over to Mr. Christgau.

Mr. CHRISTGAU. Mr. Chairman, you will recall the Secretary was discussing the recommendation of raising the earnings base to $4,200.

(A chart referred to entitled "Earnings Base Raised to $4,200.")



Mr. CHRISTGAU. You will remember the program started in 1938, with earnings based at $3,000. This chart depicts the gradual trend in earnings over a period of years, from 1938 to 1953 showing that wages and earnings have gone up above the wage base.

You will note in 1938, 6 percent of the male 4-quarter wage-workers earned over the wage base of $3,000.

The reason we took the four-quarter worker is—they are men regularly employed in each quarter of the year—so as to more ably approximate their regular annual earnings.

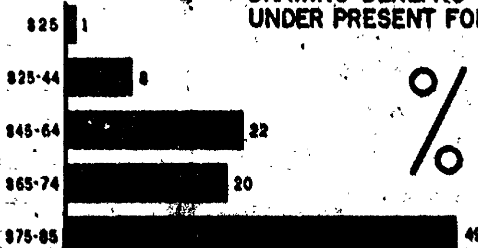
The number whose earnings exceeded $3,000 a year gradually increased, until in 1950 the number of wage earners receiving over the wage base reached 57 percent. At that time, Congress changed the law and increased the wage base to $3,600.

Now, if that change had gone into effect in 1950, 36 percent of the male 4-quarter workers would have exceeded the new $3,600 figure. Wages kept on going up, so in 1951, 48 percent of the workers earned over the new wage base of $3,600.

And going on to 1953, it reached 61 percent.

Now, if the recommendation is adopted, and the wage base is increased to $4,200, then it is estimated that 43 percent of these workers will be earning over the wage base of $4,200, and will bring it back approximately to what was established here in 1950-51.

(A chart was shown entitled "Benefits of Recently Retired Male Workers, June 1953.")



Mr. CHRISTGAU. This shows the result of the ceiling being established on the wage base. We have here the benefits of recently retired male workers as of June 1953, and the percent of these beneficiaries drawing benefits at various levels under the present formula.

You will notice that 1 percent receive the minimum of $25 a month—you will recall this morning Mr. Ball and the Secretary also indicated that a relatively small proportion will draw the minimum on into the future. Eight percent drew from $25 to $44, 22 percent from $45 to $64, and 20 percent from $65 to $74, and here is the significant bar in the chart which shows that nearly half of them—49 percent—drew

from $75 to $85. That is within $10 of the maximum and many of them at the maximum.

That isn't due to the fact that all of these workers had the same wages, but it is due to the fact that the ceiling—the wage base—compressed more and more workers into this category and as a result of that you no longer have the differentials between benefits that the program originally called for.

Senator CARLSON. Assuming Congress approves the pending legislation, how will that chart look then? If we increase it $5 it would be different than $30 and different than $80–$85; would it not?

Mr. BALL. As a result of the increase in the wage base to $4,200 and the new formula there would be a new category going up to $108.50 and your last bar would get distributed all the way from $75 up to $108.50 in the future.

Senator FREAR. What percentage of that 49 percent would be divided if this bill went in? How much of that bottom bar would go into the sixth bar?

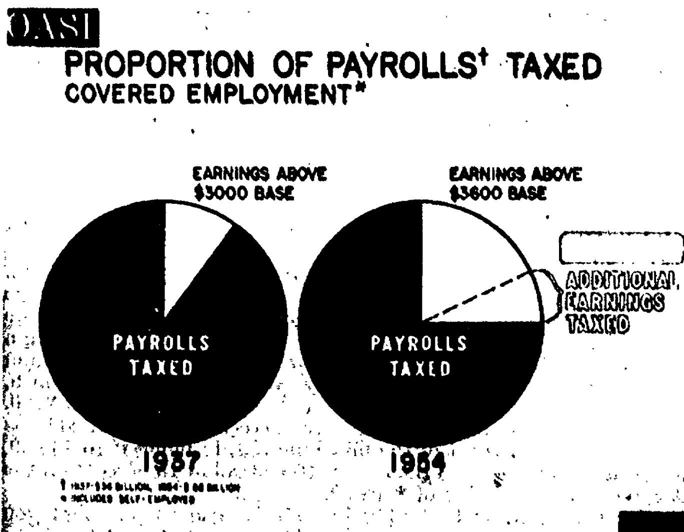
Mr. BALL. If we looked at this program 3 or 4 years from now, you'd find a very good part of that bottom bar actually distributed from 85 to 95, and 95 to 105.

Senator FREAR. In other words, maybe half of the bottom bar might be in the sixth bar?

Mr. BALL. I would guess at least half.

Mr. CHRISTGAU. Some indication is that the annual average wage of full-time industrial workers in the manufacturing industry is $4,000, now, and in mining and transportation, the average annual earnings are about $4,400, so you see there won't be as many at the maximum when you reach that point.

(A chart was shown entitled "Proportion of Payrolls Taxed.")



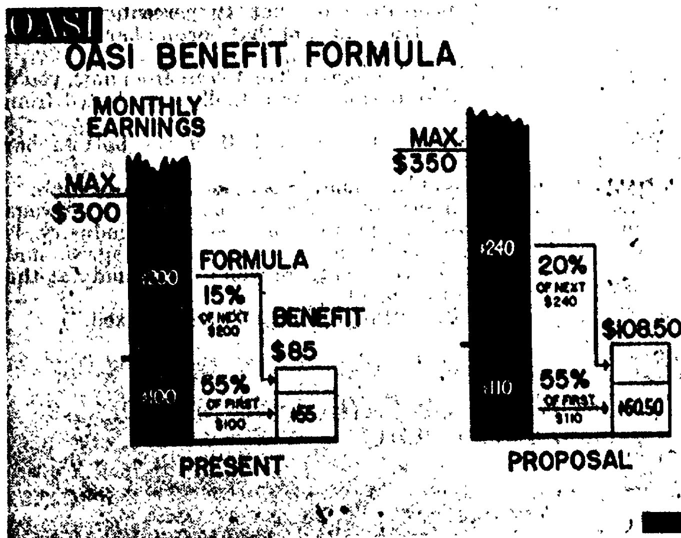
Mr. CHRISTGAU. This next chart shows the proportion of payrolls taxes in covered employment and relates to the same problem.

Back in 1937 at the beginning of the program when the earnings base was $3,000, 90 percent of the payrolls were taxed, and 10 percent was above that wage base.

You come here to 1954. Only 75 percent of the payrolls are taxed, even with a wage base or earnings base of $3,600.

Now, the proposal would add another 7 percent and this block would then be 82 percent and it wouldn't quite come back to what we had in 1937. That shows that the base upon which the program is financed has been gradually coming down as wages went up and pressed against the $3,600 ceiling.

(A chart was shown entitled "Benefit Formula.")



Mr. CHRISTGAU. We will now discuss the next proposal of the Secretary, "increasing benefits."

This chart here shows the difference between the two benefit formulas.

You know at the present time the maximum creditable average monthly earnings are $300. Take the present formula which allows 55 percent on the first $100 and 15 percent on the next $200, giving a maximum benefit of $85. Under the new proposal, with a maximum rate of $4,200 and the maximum monthly earnings being $350 a month, there is also the change in the proposal with reference to the first $100. (Actually it is the first $110.) Fifty-five percent of the first $110 as compared with 55 percent of the first hundred, bringing it to $60.50, and then it is 20 percent on the next $240 instead of 15 percent on the next $200, making a total of $108.50.

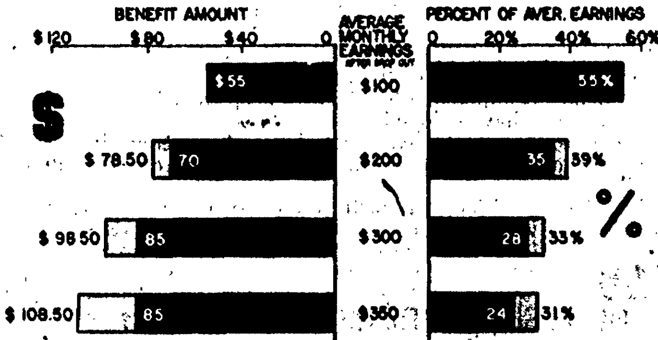
Senator CARLSON. Is that $110 just an arbitrary figure that you picked up or is there some reason for $110 instead of $100?

Mr. ROCKEFELLER. It is an arbitrary figure but there was a reason for doing it.

Senator CARLSON. That is what I want to know.

Mr. ROCKEFELLER. If you added the 20 percent on the next $150 you would be only benefiting those in the higher brackets, but this way by adding another $10 on that 55 percent you give those in the lower income group a lift as well as those in the higher brackets of wage earners, so that you distribute it more evenly. It keeps that weighted relationship.

(A chart was shown entitled "Benefit Amounts.")



Mr. CHRISTGAU. The next chart shows a comparison in benefit amounts of the two proposals, or rather the present and the proposed change.

The present is indicated in red and the proposal is in blue.

This column here, is the average monthly earnings and it is after the 5-year dropout that the Secretary dicussed this morning.

You will notice a wage earner averaging $100 a month would get $55. You will notice the first $100 even under the new proposals would also yield a $55 benefit, but the increase comes in the next $10.

Come down here to the $200 a month. By the way, this covers most of the earnings of unskilled workers. You will note that the present is $70 a month, and with the proposal, it reaches $78.50. At $300 a month which is the present maximum, it goes from $85 to $98.50. And with the new maximum earnings, $350, the maximum benefit would increase to $108.50.

Over on the side of the chart you will see illustrated what Mr. Ball and the Secretary were indicating this morning, how the formula is weighted for those in the lower benefit group. Note that for an

individual who averages $100 a month – 55 percent of his average earnings are paid in benefits. You can see it is rather heavily weighted.

In the case of the $200 earnings, at present it is 35 percent of his average monthly earnings, and under the proposal that is increased to 39 percent.

In the case of the $300 a month wage earner, it goes from 28 percent to 33 percent. In the case of the $350 a month wage earner, it goes from 24 percent to 31 percent.

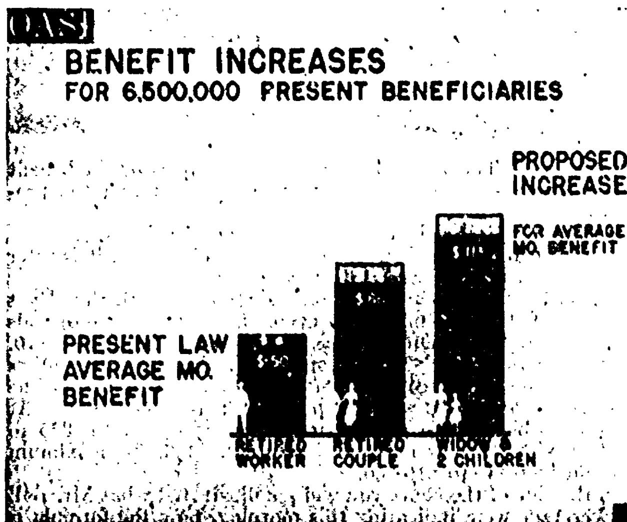
Mr. ROCKEFELLER. Mr. Chairman, if I might point out one thing there, you will note that this new proposal gives a little heavier weighting in the higher earnings figures than the previous one and the reason for that is that so many of the workers are now earning in these higher brackets that they were getting too small a percentage of their past earnings to preserve anywhere near the standard of living they had enjoyed during the period of employment. This gives them a little better break to carry it out after their retirement.

Senator BENNETT. Mr. Chairman, as a matter of fact the $350 a month, with that you are still well within the average earnings of men in industry.

Mr. ROCKEFELLER. That is right, and you get so many families who are at this standard of living and if they get but 24 percent of that, it makes it impossible for them to keep their home and the few things that they have enjoyed.

Mr. CHRISTGAU. This next chart shows the average increases for the 6.5 million present beneficiaries. There are now 6.5 million on the rolls.

(The chart entitled, "Benefit Increases for 6,500,000 Present Beneficiaries," was shown.)



Mr. CHRISTGAU. The average benefit for the retired worker is $50. As pointed out this morning an average increase of $6 would be provided.

The retired couple is next. Their average is now $86. That would be increased by $12 making a total of $98.

In the case a widow and two children, the average benefit is now $113. That would be increased by $13, making a total of $126.

Senator FREAR. If both of the couples in the middle were covered they would have double the single?

Mr. CHRISTGAU. It works out that way if they both have the same average monthly earnings.

Mr. ROCKEFELLER. If they both worked at the same earnings and both retired they would get double the amount.

Senator LONG. Do I understand those additional benefits go to the people already retired without any additional contribution to the fund.

Mr. ROCKEFELLER. That is correct.

Senator LONG. Now, certainly you are not expecting to finance that other $6 for the average person on any actuarial basis because those people haven't put any more money into the fund.

Mr. ROCKEFELLER. If we can postpone that question, Senator, there is a chart which shows exactly the impact of each one of these steps on the level-premium rate of the fund, so that at the end we would like to cover that question of financing and show the impact of what the additional expenses are and where the revenue comes from.

Senator LONG. Can you answer my question for the moment, though, as to whether or not there is any contribution to the fund for that extra $6?

Mr. ROCKEFELLER. The answer is "No."

Senator LONG. The average person is not paying for that; that is something you are giving him out of the additional contributions others are making into the fund.

Mr. ROCKEFELLER. That is right.

Mr. CHRISTGAU. The Under Secretary will continue on page 45 and will cover parts 5 and 6.

Mr. ROCKEFELLER. Mr. Chairman, we shall now discuss the fifth and sixth proposals on the list of six major recommendations.

5. Improve retirement test.

An important proposal contained in the bill before you relates to the test of retirement which individuals must meet in order to draw the benefits for which they are otherwise eligible. Under present law, benefits are not payable to wage earners for months in which their earnings in covered work exceed $75. Self-employed persons, on the other hand, have an annual exempt amount and lose benefits only when their earnings exceed $900 for the year.

H. R. 9366 provides that this discrimination be removed by equalizing the retirement test for wage earners and the self-employed.

The bill also provides for a modest increase in the amount of earnings permitted without benefit suspensions. Under the revised test, the annual exempt amount would be $1,000, and 1 month's benefit would be withheld for each $80—or fraction thereof—of earnings above this amount. A beneficiary would not lose his benefit, however, for any month in which he neither earned more than $80 in wages nor rendered substantial service in self-employment.

Senator MARTIN. What is the reason for any ceiling?

Mr. ROCKEFELLER. Well, I think one of the important reasons, Senator, is this: If you have people who have retired, or at least who have become eligible for benefits under old-age and survivors insurance, they then have a certain amount of income from their benefits. If in addition to that they stay in the labor market, they are in a position in a tight labor market to underbid, as far as wages are concerned, workers who do not have the benefit of this supplemental income.

Senator MARTIN. Isn't that American?

Mr. ROCKEFELLER. Well, this system as originally conceived in the Congress, and as it has been kept ever since, is to supplement loss of earnings through retirement.

Now, if you have not retired, you don't have a loss of earnings and therefore as the system was conceived, there is no reason for receiving the benefits.

There would have to be a change in concept to do what you suggest. That would be a new concept introduced into the old-age and survivors insurance.

Senator MARTIN. I don't know what the old concept was, but I like the idea of an American to continue working. It is better for himself and better for his community. A lot of these men who are past 65 are very skilled and it seems to me with the important part we are taking in world affairs now, we want to increase our earnings just as much as we possibly can.

Mr. ROCKEFELLER. Well, of course, you know that any worker can continue to work as long as he wants but he doesn't get the benefit of the retirement funds until he retires.

If you put in the provision that you state, and at 65 he automatically got whatever he was entitled to, had he retired, the increased cost to the fund would be very large because a great many people continue to work beyond 65, and therefore you would have to completely refigure the actuarial base of the payroll tax that is now in existence.

Senator MARTIN. This isn't actuarially sound anyway and we will never have it actuarially sound. It will never be actuarially sound until we have a fund that will produce revenue to take care of all of these payments. I personally think that that can only be done if we have investments outside of United States bonds.

In Pennsylvania, our teachers' retirement and our employees' fund are actuarially sound, both of them.

I don't want to take up more time. I know what this is but I am sorry it is in there. I like to encourage people to work. I know so many who have passed 65 who would like to work. I somehow feel that they are entitled to work.

Senator GEORGE. May I not ask if the consideration has been one of cost? It is really a question of cost, isn't it? If you had no limitation at 65, it would cost approximately 1 percent more, wouldn't it, on payrolls? It would run almost that high. That is the reason we never felt, in 1950, when we were going back over this act—or in the beginning of the act, because I happened to have been present at the birth of the act and was on the committee at that time, that we just felt that there had to be some ceiling.

Now, of course, we have 75 years, and after a man gets to 75 he won't be here too long.

It wouldn't be bad to let a man 72 years old earn what he could.

I think that is the way we have to approach this. We do have elderly people in various forms of employment who work on after they are 72, 73, 74, and 75 years old. What would it cost?

Mr. ROCKEFELLER. It would be 0.17 of the covered payroll to go to 72. It would cost about 1 percent to go to 65.

Senator GEORGE. Suppose you let them work after they were 72 or 73, there wouldn't be much of a loss; would there?

Senator BENNETT. About a sixth of a cent.

Mr. ROCKEFELLER. But I think the Secretary shares Senator Martin's theory about letting them work. We were leaning in that direction in allowing $1,000.

Senator MARTIN. I think it is a matter we should give a lot of serious thought to. I know a great number of men who are past 65 and they are working. They get their social security at $75 a month. It isn't keeping them in the same status that they enjoyed before, unless they dip into their savings, and you know there is a lot of people—well, you take personally, I don't like to dip into capital, or you don't. None of us do. That is contrary to the American ideal of things, and some of them are required to do it.

I am bringing it up so we can give it some thought.

Mr. ROCKEFELLER. Senator George, put his finger on the heart of the problem.

Senator GEORGE. We gave a great deal of consideration to this.

Senator MARTIN. Yes, I know, I have sat in on it, but we have some new folks in here now and I think it is a matter that we ought to give consideration to.

As a Nation, particularly if we are figuring on raising the standards of living of some of our competitors out over the world, we have to earn more here in the United States.

Senator GEORGE. I don't want to anticipate because you haven't gotten to that provision in the bill dealing with total disability, have you?

Mr. ROCKEFELLER. No.

Senator GEORGE. I would like to illustrate what I had in mind. I know of a case of an accountant, a very excellent man, who has reached 72, or perhaps 73. He suffered a serious heart attack when he was 4 or 5 years younger, so that he had to quit regular work and had to take what he could at 65. It is very inadequate payment to him. His wife is about the same age.

However, he is able to do two or three jobs a year for a responsible concern. He was making $4,000 or $5,000 for handling the account of just this one concern. However, he can only work when he is able. Would this total disability provision reach back and give him any help?

Mr. ROCKEFELLER. No, because his $4,000 or $5,000, while that is probably low compared to what he was earning before, still it is within the ceiling at $3,600 or even $4,200——

Senator GEORGE. It is retroactive.

Would he be benefited by—say he was compelled to retire 3 or 4 years back.

Mr. ROCKEFELLER. If his earnings went below $3,600 during that period he could drop out those years it was below $3,600 in figuring his average monthly earnings.

Mr. BALL. He is past 65. You wouldn't drop out years for disability after age 65, Senator George, but I wondered if it was clear to you that he would actually be eligible for benefits in any month in which he didn't work, under this proposal, and also under present law. If he is eligible for a benefit and he works in January, February, and March, and renders services, but he doesn't during the summer months he would get the benefit during the summer months.

Mr. ROCKEFELLER. And under our proposal——

Mr. BALL. That is right.

Mr. ROCKEFELLER. Under our new proposal he could make $1,000 without interfering with his payments.

Senator GEORGE. He could make it all in 3 months.

Mr. BALL. If he got it all in 3 months, he would get benefits for 9.

Senator LONG. What consideration have you given to the idea of some sort of a sliding scale for those who earn more than $1,000? In other words, when a person earns more than $1,000, for every dollar of additional income he has $1 deducted from his earnings, and that of course discourages a person from doing anything for himself, because he must make enough to completely compensate the social-security benefits he is losing before he gets anything.

In other words, suppose he makes next to $700 and his benefits run $60 or $70 a month. Under this proposal you would simply deduct from his social-security benefits all the additional earnings.

It would seem to me that it might be well to maybe deduct $5 every time the man made another $10, so that there would be a savings to the Government and at the same time the man would be encouraged to earn something for himself.

Mr. BALL. Senator Long, this proposal goes, I would say, about 98 percent in the direction that you are speaking of. That is, by allowing an exemption of $1,000, and then just deducting 1 month's benefit for each $80 above, you come close to what you are proposing. And to go all the way with you would create a very substantial administrative problem. That is we would have to change the amounts of these checks every single month, depending on what the individual earned in that month.

Under our proposal, you don't have to change those check amounts. He gets that particular month deducted. It is substantially the same effect as you are suggesting.

Senator LONG. It is not clear to me how that does it. In other words, if he made $1,000 and then he made an additional $100, you would deduct $100, wouldn't you, from his benefits?

Mr. BALL. No, you would withhold 2 months' benefits.

Senator LONG. How much would those 2 months benefits amount to, would they amount to less than $100?

Mr. BALL. On the average it is about $50, right now.

Senator BENNETT. But if he is in a higher bracket and was getting $85 a month, if he earned $100, you would deduct $175.

Senator LONG. Is it possible that you would deduct even more than he earned? Is it possible that if the man made an extra $100 after making that thousand dollars, you would proceed to deduct $175?

Mr. BALL. That is possible, yes.

Senator LONG. That is a very great discouragement for a person to work if you are going to deduct 175 percent of what he made.

Mr. ROCKEFELLER. You have to compare it with the present law which is much less favorable than that, so this is a great improvement over what the present is.

Senator LONG. Speaking of what would be desirable, would it not be well if a man goes out—supposing a man was entitled to make $1,000 based on your suggestion. Supposing you let him make $2,000. Would it be desirable that he keep some of that additional $1,000 that he made? If he made a thousand dollars, he could split it 50–50. The Government would save $500 and he would get the benefit of $500. Wouldn't that make sense?

Mr. BALL. If you deducted only 50-50—I think we would very quickly reach a point, Senator Long, where this didn't serve as a test of whether an individual had retired, or not. You would have individuals who are able to draw these benefits who weren't in any different situation than they were when they were at age 55. They had been earning right along at a steady rate and when they hit 65, they would be able to start drawing old-age and survivors insurance benefits even though there was no loss of income.

Senator LONG. I predict that before we get to having this 27 million people over 65 years of age it is going to occur to somebody that it might be a good idea for some of these people to work after they are 65, and we may want to encourage them to work rather than discourage it.

It is one thing to tolerate their working by letting them have $1,000 of income that they can keep, but when they make anything more than that, to deduct more than 100 percent of what they would make, is a very discouraging thing, it would seem to me.

Mr. BALL. Deducting more than 100 percent would be a very rare situation. You picked an example that can happen, but it is a pretty unlikely situation.

I think you will see on this chart how this operates really as an incentive to employment in practically all cases.

Senator FREAR. Isn't it true now that when they make up to $75 a month, they don't make any more, and they would do the same thing if it was $100?

Senator LONG. Is that good public policy?

Mr. ROCKEFELLER. Well, it gets right back to what we were saying to Senator Martin. He didn't want any ceiling on their earnings at all, and allow them to earn whatever they wanted after they reach age 65 and still get the benefits. That would cost about $1.5 billion out of the trust fund the first year. And as Senator George says, it is a question of money.

Senator LONG. It wouldn't cost you any more if you see what I have in mind. If you encourage a person to continue to remain productive, that person would continue to work, especially if he is near the borderline there, he would continue to produce more, and the Government would net a savings based on this person's continued productivity.

Mr. ROCKEFELLER. That is what is happening, because they don't retire. The average retirement age now is almost 69, so that you have exactly what you say. They would rather continue to work, earn whatever they had been earning, and not take their benefits until they are ready to retire, and then when they retire they take part-time employment if they are able to.

This suggestion of the Secretary's here would permit them to take much more part-time employment and supplement their income more than they have been able to up to the present time.

Senator LONG. I agree that there is an improvement. My only question is, Might we not improve it even more than you have done in this bill? It does seem to me that there is a wide-open possibility there of improving on this. It does seem as though it might encourage a person to continue to make some additional income after he had retired.

Secretary HOBBY. I apologize, Mr. Chairman, for being late. It was unavoidable.

Senator BUTLER. There were several of us who were a little late.

Secretary HOBBY. There is a chart on this very point which I think might be helpful and it would be of interest to Senator Long and the committee, if you thought well of proceeding with the text and the charts.

Senator BUTLER. Very well; proceed.

Secretary HOBBY. The bill also provides for a modest increase in the amount of earnings permitted without benefit suspensions. Under the revised test, the annual exempt amount would be $1,000, and 1 month's benefit would be withheld for each $80—or fraction thereof—of earnings above this amount. A beneficiary would not lose his benefit, however, for any month in which he neither earned more than $80 in wages nor rendered substantial service in self-employment.

Under an annual test, retired wage earners will have much greater incentive to continue in some earning capacity. They will be able to take regular part-time work without the loss of benefits or with the loss of only a few months' benefits, depending on what they earn. For example, a beneficiary could work throughout the year at $90 a month and lose only 1 month's benefit, whereas under present law he would lose all 12.

Many retired people can lead more satisfying lives if they continue to use their skills in some productive contribution to community life. Furthermore, as a Nation we can make valuable use of their experience and wisdom. We believe, therefore, that these proposed changes in the retirement test which will make it easier for beneficiaries to work and draw benefits are very desirable.

The bill would make two other changes in the retirement test. One would eliminate the present exemption of earnings in noncovered employment.

With coverage nearly universal, it would be practicable to make the test apply to all earnings. The second change would be to apply the retirement test to combined wage and self-employment earnings so that the individual with earnings of both kinds would have 1 basic exemption instead of 2.

6. PRESERVE BENEFIT RIGHTS FOR THE DISABLED

The final major proposal contained in H. R. 9366 is a provision for maintaining the benefit rights of disabled workers who have a substantial work record under OASI.

I have already spoken of the effect that short periods of absence from covered work can have on a person's benefit amount. As we

have seen, this would be taken care of by the right to eliminate up to five of the lowest years of earnings in computing benefits.

Much more severe, however, are the effects of long periods out of the labor force caused by a totally disabling condition. Long-term disability not only causes drastic reductions in the individual's monthly wage and consequently his benefit amount, but may result in a loss of his insured status altogether.

H. R. 9366 provides that the time during which an earner who has a substantial work record under OASI is under an extended total disability, and consequently without earnings under the system, would be disregarded in determining his eligibility status and the amount of his benefit. In effect his status under the program would be frozen for the duration of his disability. This provision is analogous to the waiver of premium now widely used in private life-insurance and retirement-annuity policies to maintain the protection of these policies for the duration of the policyholder's disability.

The bill directs the Secretary of Health, Education, and Welfare to negotiate agreements with the States under which the determination of disability would be made by the State vocational rehabilitation or other appropriate State agencies.

This referral of disabled persons to the State vocational rehabilitation agencies would provide the opportunity for prompt steps toward rehabilitation. Many of these persons can be restored to lives of usefulness, independence, and self-respect under modern rehabilitation techniques.

In order that the State agencies may greatly expand their operations, the administration has advocated a broadened Vocational Rehabilitation Act with progressive increases in Federal and State financial support. This recommendation is being considered by the Committee on Labor and Education in the House, and, I might say, was reported out yesterday or the day before, and by the Committee on Labor and Public Welfare in the Senate.

In addition, the administration has proposed, and the House has already passed, a bill which authorizes $10 million annually for the next 3 years for aiding in the construction of comprehensive rehabilitation facilities under the Hospital Survey and Construction Act. We believe that these proposals offer a well-rounded national plan for the improvement of rehabilitation opportunities for the disabled.

We should now consider the cost effects of these proposals.

Some of the provisions in the President's proposals would produce additional receipts or tend to reduce program costs. Increased tax contributions would, of course, result from the expansion of employment coverage, as well as from the rise in the taxable earnings base from $3,600 to $4,200. Some savings in benefit expenditures would result from making the retirement test applicable to earnings from all types of employment.

These cost savings would offset, in part, the increase in expenditures resulting from the payments to the additional beneficiaries who would qualify under an expanded coverage system, the higher benefit amounts that would be paid, the additional benefits payable under the improved form of the retirement test, and from preservation of the insurance rights of the disabled.

The net increase in cost resulting from the President's original proposals was sixty-seven one-hundredths of 1 percent of payroll.

Additional costs under H. R. 9366, resulting from the provision for dropping up to 5 of the years of lowest earnings rather than 4, modifying the insured status requirements, and raising the minimum and maximum benefits under certain circumstances, would add five one-hundredths of 1 percent.

The Committee on Ways and Means took these additional costs into account and also considered the findings of our recent actuarial study No. 36, a copy of which I would like to submit for the record, which show some imbalance in the financing of the present program when costs are projected to the year 2050.

(The actuarial study 36 referred to follows:)

LONG-RANGE COST ESTIMATES FOR OLD-AGE AND SURVIVORS INSURANCE, 1953

By Robert J. Myers and Eugene A. Rasor

United States Department of Health, Education, and Welfare

Social Security Administration, Division of the Actuary

ACTUARIAL STUDY No. 36—JUNE 1953

This study has been prepared for the use of the staff of the Social Security Administration and for limited circulation to other administrative, insurance, and research persons concerned with the subject treated. It has not been submitted to the Commissioner of Social Security for official approval

A. INTRODUCTION

This report is the fifth in a series of actuarial studies in regard to the actuarial costs of the old-age and survivors insurance program. The first cost estimates for the old-age and survivors insurance program were developed at the same time the legislation was enacted (1939) and were subsequently presented in actuarial study No. 14. In the second in this series (developed in 1942 and presented in actuarial study No. 17), estimates were made on the basis of a certain amount of actual operations data, as well as of more complete demographic data such as the 1940 census and the 1935 family composition study.

The third in this series of cost estimates was developed in 1943–44, and published as actuarial study No. 19. This differed from the previous study in that not only was there available more experience data, but also a differential average wage between the low-cost and high-cost illustrations was introduced. Because actuarial study No. 19 considered the terms "low-cost" and "high-cost" as indicating absolute dollar costs rather than percentage costs relative to payroll, certain difficulties of interpretation and analysis arose. Thus, for both estimates the average cost of the benefits from 1945 to 2000 without interest was 5.6 percent of payroll which lead some to believe erroneously that, although the dollar costs might have a range, the relative costs were fairly closely predictable, a matter of importance in estimating the necessary contribution rates.

The fourth in this series of estimates, actuarial study No. 23, was published in 1947 and used more current data on population, wage levels, etc.

Two other studies were prepared for and printed by the Committee on Ways and Means, dated July 27, 1950, and July 21, 1952 in respect to the 1950 amendments and 1952 amendments, respectively.

The cost estimates presented in this study relate to the 1952 amendments and correspond to those in the committee print of July 21, 1952, but differ considerably because of the use of the new population projections (actuarial study No. 33) and revised cost factors.

In order to have appropriate ranges in benefit costs, both as to dollar amounts and relative to payroll, there were developed, in effect, four separate cost illustrations. On the one hand, the low-employment assumptions basis used was somewhat lower than full employment and corresponded roughly on the average to 1940–41 conditions as to proportion of population in covered employment, combined with wage rates prevailing in the same period. On the other hand, the high-employment assumptions basis is near-full employment (corresponding closely to current conditions).

Within both the low-employment and high-employment assumptions there are two separate estimates: (1) using "low-cost" factors (i. e. low cost relative to payroll) as to fertility, mortality, retirement rates, remarriage rates, etc.; and (2) using "high-cost" factors. As in the previous studies, the terms "low-cost" and "high-cost" apply in the aggregate since in some of the component parts (e. g. child's and mother's benefits) the costs are shown to be higher for "low-cost" than for the "high-cost" factors.

An important element affecting old-age and survivors insurance costs arose through amendments made to the Railroad Retirement Act in 1951. These extend the 1946 amendments and provide for a coordination of railroad retirement compensation and old-age and survivors insurance covered earnings in determining not only survivor benefits but also retirement benefits for those with less than 10 years of railroad service. In fact, all future survivor and retirement cases involving less than 10 years of railroad service are to be paid by the old-age and survivors insurance system.

Financial interchange provisions are established such that the old-age and survivors insurance trust fund is to be placed in the same financial position as if there never had been a separate railroad retirement program. It is estimated that the net effect of these provisions will be a relatively small net gain to the old-age and survivors insurance system since the reimbursements from the railroad retirement system will be somewhat larger than the net additional benefits paid on the basis of railroad earnings. The long-range costs developed here are for the operation of the trust fund on the basis, as provided in current law, that all railroad employment will be (and beginning with 1937 has been) covered employment. The balance in the fund thus corresponds exactly to the actual situation arising. But the contribution income and benefit disbursement figures shown (as well as the numbers of beneficiaries) are slightly higher (by less than 5 percent) than the payments which will actually be made directly to the trust fund from contributors and the payments which will actually be made from the trust fund to the individual beneficiaries. This is the case because the figures here include both the additional contributions which would have been collected if railroad employment had always been covered and the additional benefits that would have been paid under such circumstances. The balance for these two elements is to be accounted for in actual practice by the operation of the financial interchange provisions.

B. BASIC ASSUMPTIONS

Throughout the cost estimates the various assumptions have been selected so as to be consistent with the actual operating data and with the other assumptions, and at the same time so as to represent a reasonable range for the element under consideration. As in previous studies, the figures developed do not represent the widest possible range that could reasonably be anticipated, but rather our studied opinions as to a plausible range. For more detailed analysis of items (1), (2) (3) and (4) below see actuarial study No. 33. The various basic assumptions are:

(1) Mortality

The low-cost and high-cost estimates are both based on decreasing rates of mortality to the year 2000 and level thereafter. The decrease for the low-cost estimates was assumed as one-half of that for high-cost. Previously no decrease in mortality had been assumed for the low-cost estimates.

(2) Birth rates

The low-cost estimates assume for 1965 and after, age-specific birth rates which are the mean of the age-specific 1940 and 1948 rates, while for the high-cost estimates the age-specific bithrates assumed for 1965 and after were the 1940 rates. For the period prior to 1965, the present fertility rates were graded down into the ultimate rates.

(3) Immigration

For both the low-cost and high-cost estimates, a net immigration of 500,000 persons during each 5-year period in the future was assumed.

(4) Population

The above assumptions as to fertility, mortality, and immigration when applied to the existing population result in the basic population projections. At the time this study was begun, there was available an official count of the United States population as of April 1950 subdivided by age and sex. The availability of these data, which took account of most of the war deaths as well as the actual

high fertility and low civilian mortality experience of the war years, along with the assumed modifications made in the future fertility and mortality rates, made it desirable to develop the new population projections mentioned.

Table 1 summarizes the two new population projections. It will be observed that the population for all ages combined does not show a very wide range as between the low-cost and high-cost assumptions in the early years, but ultimately the low-cost population is 55 percent greater than the high cost. In the high-cost projection there are nearly the same number of aged persons as in the low-cost projection and considerably fewer in the productive ages because of the lower mortality and lower fertility assumed in the former. For the year 2050 those age 65 and over represent 11.4 percent of the total population for the low-cost projection as contrasted with 16.1 percent for the high-cost assumptions. Thus in contrast with 1950, when the corresponding figure was 8.0 percent there is a relative increase in the proportion of the aged of about 42 percent for the low-cost projection and 100 percent for the high-cost one. In the 100-year period preceding 1950 the actual relative increase was about 225 percent.

(5) Employment

In developing bases for estimating both payrolls and insured populations, it is necessary to have the proportion of the total population who are in covered employment in a given year by age and sex (differentiation by race does not seem necessary). Valuable guides toward developing assumed ratios exist in the form of the actual wage data for 1951, along with the available total population data from the 1950 census. As mentioned previously, the low-employment assumptions are intended to correspond roughly to the level of 1940-41, while the high-employment assumptions are supposed to correspond to virtually full employment. In addition it is hypothesized that in the future the past trend of an increasing proportion of the labor force being in covered employment (as a result of the movement from agriculture to industry) will continue, and that correspondingly women will continue to occupy a greater place in the covered labor force.

Table 2a shows the assumed ratios of persons with wage credits in the year to total population for quinquennial age groups from 15 to 65 for 5 illustrative years for the 2 employment assumptions. Table 2b shows corresponding figures for persons age 65 and over. For the latter group, within each employment assumption, there are given low-cost and high-cost figures as representing the range due to possible variations in retirement rates. Under low-employment assumptions, aged workers might endeavor to continue working as long as possible; on the other hand, there may be great pressure for them to retire since benefits are available. Under high-employment assumptions the favorable opportunities combined with good health and a philosophy of desiring to continue at work might result in a considerable postponement; conversely, eligible aged individuals might "retire" under the OASI program, yet continue working in noncovered employment and draw benefits, or else the increasing availability of supplementary old-age benefits from private pension plans might hasten retirement even under high-employment conditions.

Likewise, in developing estimates of covered payroll and insured populations, it is necessary to have a distribution of persons with wages in a year according to the number of quarters with wages. The actual operating data furnish certain information as to such distributions for the current time. The assumed percentages are shown in table 3, where it will be noted a distinction is made for males as between low-employment and high-employment assumptions, but no such differentiation seems plausible for females.

From the assumptions as to the proportions of the population in covered employment and the proportions of workers by quarters, there may be developed by diagonal projection and general reasoning the assumed proportions of the total population who are insured. As used hereafter the term "insured" includes both "fully insured" and "currently insured only." Below age 65 currently insured status gives eligibility for most of the benefits that fully insured status does. Moreover, at age 65 and over the category "currently insured only" is and will be relatively nonexistent.

Although a single set of assumptions as to covered employment was set forth for each economic assumption, when there are developed therefrom the proportions insured representing the cumulative effect of employment, a range is necessary because of the uncertainty involved in the extent of year by year progression of covered employment as between individuals. Table 4 shows for 3 selected years the resulting ratios of insured persons to total population obtained from a consideration of the assumptions as to extent of covered employment. The lower figure of the range in each case applies to the low-cost estimate, while the higher figure is used in the high-cost estimate.

(6) Credited wages for 4-quarter workers

Under both employment assumptions, 4-quarter male employees are assumed to have annual credited wages of $2,980, while for women the corresponding figure is $2,030. If there were no maximum on credited wages (i. e. the $3,600 limit), the corresponding figures would be $3,975 for men and $2,130 for women. As in previous studies, no age differential in wage for 4-quarter workers is used because the relatively small variations existing for the vast bulk of employees (those between ages 25 and 65) do not warrant the additional computational difficulties that would arise.

The above wages are assumed to be level into the future. In a subsequent section, discussion will be given as to the use of an increasing wage assumption.

(7) Credited wage for other than 4-quarter workers

The annual credited wages of workers employed in less than 4 quarters of a year are shown in the table below as a percentage of the assumed annual earnings of 4-quarter employees (without regard to the $3,600 limit), with the same proportions holding for both the low-employment and high-employment assumptions:

Quarters	Males	Females	Quarters	Males	Females
	Percent	*Percent*		*Percent*	*Percent*
1	7	12	3	36	44
2	18	21	4	100	100

These figures are based on the actual operating experience. As was the case with four-quarter employees, it does not seem necessary to have any differential by age.

(8) Credited payroll

By applying the previous assumptions as to covered employment and wages to the population estimates, there are obtained the total persons with credited wages in various years and the aggregate amount of such wages. The resulting data for selected years are shown in table 5 along with the developed average wage credits for persons with any wages in the year. The number of persons with wages in the year for a particular employment assumption is somewhat lower for the high-cost assumptions than for the low-cost ones. This results from the fact mentioned previously, namely that under the low-cost assumptions there is assumed higher fertility which produces eventually a greater number of persons in the productive ages. The resulting average wage credits for those with wages in the year are about $2,000 for both the low-employment and high-employment assumptions.

(9) Insured population

By applying the assumed proportions insured to the total population projections, there are obtained the estimated insured populations shown in table 6. Although the insured population for all ages combined roughly doubles in the next half century, the insured population age 65 and over rises almost tenfold, with the increase being greater for females than for males.

(10) Marital and parental status

Assumptions as to marital status are necessary in estimating the costs of the various supplementary and survivor benefits. The various assumptions both for men and women are based on general population census data, the effects of the OASI definitions, and the differential marital proportions of the gainfully occupied. Also considered in adjustment of the census data is the material from the 1940-51 claims and from the family composition study. In the high-cost estimates the proportion married in the future is adjusted upward at the older ages to allow for the effect of assumed improved mortality (resulting in fewer early broken marriages). Assumptions as to relative ages of husband and wife are based on family composition study data, census data, and claims data.

Assumptions as to the proportion of persons with children and the average number of such children in these cases are developed from the census data, the claims data, and the family composition study data. The age distribution of such children was based on claims data. In the high-cost estimates (where lower fertility is assumed), allowance is made for the reduced average number of children per family in future years.

(11) Differential mortality by marital status

New studies by the National Office of Vital Statistics have confirmed many earlier limited studies as to the lower mortality of married persons and the higher mortality of widowed persons. It is therefore assumed that the married males in the insured population have lower mortality than all insured males, with the differential ranging from 20 percent at the younger ages to 10 percent at the older ages. Correspondingly, it is assumed that widows of insured males have higher mortality than all women (with the excess being over 100 percent at the young ages, decreasing to about 10 percent at age 65, and declining slowly thereafter). Both of these marital mortality assumptions result in lower benefit costs since with married males having lower mortality, fewer widows and orphans are created, whereas with widows having higher mortality, fewer survive to age 65 than if mortality did not differ by marital status.

(12) Remarriage rates

Both widow's and mother's benefits are terminated upon remarriage. The use of remarriage rates takes account of the saving in cost arising therefrom. The limited experience to date indicates that the actual remarriage rates may be somewhat higher than those in the American remarriage table. Therefore, the remarriage rates used in the low-cost estimates are 150 percent of such tabular rates, while in the high-cost estimates the tabular rates are used without modification.

(13) Marriage and mortality of child beneficiaries

Although the primary cause of termination of child's benefits is attainment of age 18, death or marriage of child beneficiaries is of some cost significance. A subsidiary study was made using mortality and marriage rates based on actual recent experience. Since the effect of both of these factors was found to be relatively small, the same adjustment is made for each of the estimates, namely, a 1 percent reduction in the number of beneficiaries based on all surviving to age 18 unmarried.

(14) Parent's benefits

This relatively minor category is difficult to estimate. Considerable variation can arise as to the number of parents considered to be "chiefly dependent." As more and more of the aged become eligible for old-age, wife's or widow's benefits, the number eligible for parents' benefits will be relatively less. Because of the relative unimportance of this category, no new estimates as to the number of beneficiaries have been made, but rather those of actuarial study No. 23 have been used again. However, the benefit payments have been recomputed, based on the new benefit formula and the somewhat higher wage assumptions in the current estimates.

(15) Proportion of beneficiaries at work

Among the various survivor beneficiary categories, there is a considerable saving in disbursements because individuals otherwise eligible are at work in covered employment. In some instances benefits are withheld, while in other cases the beneficiary never files (notably in the case of mother's benefits for families where there are sufficient children to obtain the maximum or near-maximum benefit anyhow). In developing the cost estimates, there have been estimated the total number of beneficiaries eligible to file. Then reduction factors are applied to allow both for those whose benefits are withheld because of work and for those who do not file for benefits because of the maximum provisions or because they intend to work continuously and thus cannot draw benefits anyhow. The table below indicates for the ultimate situation (several decades hence) the percentages of the potential beneficiaries who are assumed to be actually in current payment status for the three important categories of survivor beneficiaries:

Beneficiary category	Low employment		High employment	
	Low	High	Low	High
	Percent	*Percent*	*Percent*	*Percent*
Mother's	79	87	72	82
Child's	95	98	93	97
Widow's	99	98	99	98

(16) Alternative receipt of benefits

An important cost element several decades hence, although not very important currently, is the provision that women may not receive full old-age benefits in their own right and full wife's or widow's benefits. In effect, in such cases the larger of the two benefits is payable. As a practical matter, it is to the advantage of the woman to claim the full primary benefit and to obtain any additional wife's or widow's benefit as a supplement since the latter may be suspended for a number of reasons not applicable to the former (namely, employment of the husband, divorce, remarriage, etc.). For this reason it has been assumed in these cost estimates, that all women eligible for old-age benefits file therefor, even though qualified for a larger wife's or widow's benefit. It is assumed they receive the excess of such benefits over their old-age benefits as a supplement.

Based on claims data with certain modifications to allow for changes in future distributions, estimates have been made as to the proportions of the cases in which the female old-age benefit would be smaller than the widow's benefit or the wife's benefit, and for such cases what the average excess over the primary benefit would be. The number of women qualified for both old-age benefits and wife's or widow's benefits has been estimated from the number of female old-age beneficiaries distributed by marital status, using the assumption that the probability of being eligible for benefits on the basis of the woman's own earnings and on the basis of her husband's earnings was the same as the probability of a woman of that same marital status in the total population being an old-age beneficiary. For instance, for a certain year if the married female old-age beneficiaries represent 25 percent of the married aged female population, then it is assumed that 25 percent of the aged wives of male old-age beneficiaries (in current payment status) are old-age beneficiaries, or in other words that 75 percent of such wives are not old-age beneficiaries in their own right but solely wife beneficiaries.

Combining the various above assumptions, it is then possible to obtain the number of women who are solely wife or widow beneficiaries and the number of women who are eligible for both old-age benefits and wife's or widow's benefits. The latter category is further subdivided into those with larger wife's or widow's benefits and thus eligible to receive supplementary payments over their old-age benefits.

(17) Adjustment factors for average benefits

In computing average benefits on the basis of the assumed average wages, proportions of quarters covered, and proportions of years employed, it is necessary to make an adjustment in the resulting figures because of the weighted nature of the benefit formula. Thus, for a given wage distribution the true average benefit will generally be smaller than the benefit based on the average wage. The amount of the differential depends on a number of factors such as the distribution of the wages, the varying lengths of time in covered employment, and the minimum and maximum benefit provisions.

Another element necessitating modification of average benefits is the differential in wages by marital status. Thus, married men on the average have higher wages than other men so that the average primary insurance amount used for monthly survivor benefits should be adjusted upward. Also adjustments are necessary in the various supplementary and survivor benefits to allow for the effect of the minimum and maximum provisions. The lump-sum death payment, when received by other than the spouse, will sometimes be less than three times the primary insurance amount since such payment cannot be more than actual burial expenses, and thus an adjustment factor should be introduced. Still another modification which should be brought in is to allow for the lower average wages of those dying, in part possibly because of lower economic status on the average and in part because of the effect of the last illness in reducing the average wage; such modification is of significance chiefly only in the early years of operation, although it may have some sizable effect even in later years for deaths of young fathers.

The necessary modification factors for the elements discussed in the previous paragraph have all been developed on the basis of actual past claims experience, with an informed guess as to the future trend of such elements.

(18) Administrative expenses

In carrying forward the progress of the trust fund, it is essential to take account of the relatively small item of administrative cost since such outgo in the long run has a significant cumulative effect. After study of the various elements involved, it is believed desirable to base the assumed administrative cost on two factors—

payroll and total monthly benefit payments. The estimated administrative expenses for a given year were obtained from the following relationships:

Low-cost estimate—$5 per monthly beneficiary plus 0.40 percent of taxable payroll;

High-cost estimate—$7 per monthly beneficiary plus 0.45 percent of taxable payroll.

The application of these assumptions produces estimated annual administrative expenses of $75 to $101 million for the present time (as compared with actual expenses of $92 million in 1953) and of $172 to $268 million half a century hence when benefit rolls will have expanded greatly. On this basis, ultimately the estimated administrative costs represent about 1⅓ percent of benefit disbursements.

(19) Taxable payroll versus creditable payroll

The previous discussion as to wages and payroll dealt solely with credited wages which are used in determining benefits. However, the effective payroll on which contributions are based is slightly higher because of the provision that wages earned in a year in excess of $3,600 when from several employers (with no more than $3,600 from any 1 employer) are subject to contributions but are not credited toward benefits. In such cases the employee contributions for wages in excess of $3,600 are refundable, but those from the employers are not. Study of the actual data for 1940–50 indicates that under both the low-employment and high-employment assumptions the effective taxable payroll taking into account refunds is about 1.2 percent higher than the credited payroll. These factors have been applied to the credited payroll to yield the taxable payroll.

(20) Trust fund

In the progress of the trust fund the contributions were obtained by multiplying the effective taxable payrolls by the combined employer-employee contribution rate and then reducing this amount by 2.3 percent to allow for loss of income due to the self-employed paying only three-fourths of this rate. In effect, it was assumed that 9.3 percent of the total covered payroll is in respect to the self-employed.

The trust fund at the end of 1952 was $18,192 million which includes an estimated $750 million the Railroad Retirement Account owes the trust fund.

C. RESULTS OF COST ESTIMATES UNDER LEVEL WAGE ASSUMPTION

Table 7 shows the estimated monthly beneficiaries age 65 and over in current payment status for the four series of estimates, and also the actual data for 1950–52 (without any allowance for the effect of the railroad retirement coverage, see page 2). Fifty years hence such beneficiaries are shown to increase from the present level of nearly 4 million to a range of from 18 to 24 million. At that time male old-age beneficiaries (retired workers) are shown to make up about 40 percent of the total, female old-age beneficiaries about 30 to 35 percent, wife beneficiaries not eligible for old-age benefits about 10 percent, widow beneficiaries not eligible for old-age benefits about 15 to 20 percent, and parent beneficiaries about ½ percent.

Table 8 relates the estimated total monthly beneficiaries age 65 and over as shown in table 7 to the total aged population by sex. Whereas at the present time close to 40 percent of all aged men and 30 percent of all aged women are actually drawing benefits, eventually this proportion will range from 65 to 80 percent for men and 70 to 90 percent for women.

Table 9 relates the estimated old-age beneficiaries in current payment status to the aged insured population. At the present time, over 60 percent of the male insured and 75 percent of the female insured are on the benefit rolls as old-age beneficiaries. Ultimately it is estimated that from 80 to 90 percent of the male insured and 90 to 97 percent of the female insured will be on the rolls as old-age beneficiaries.

Table 10 shows for various years in the future the estimated monthly beneficiaries under age 65 in current payment status for the four estimates, as well as the actual data for 1950–52 (again without allowance for the railroad retirement coverage). All categories show a decided increase in future years except child survivor beneficiaries under the high-cost assumptions; this category remains relatively level after 1955 due to the lower mortality assumption, which means fewer survivor children created. Table 10 also gives the estimated lump-sum death payments, which for all four estimates increase steadily as the insured population grows and becomes older on the average.

Table 11 shows the estimated possible amount of overlapping for female beneficiaries as between old-age benefits and wife's or widow's benefits. In the early years there are not many cases of overlapping since relatively few of the current married, older women work sufficiently in covered employment to become insured for old-age benefits. However, in later years many married women age 65 and over will possess insured status for old-age benefits on account of employment at the younger ages, either before or shortly after marriage. Likewise, eventually many widows will qualify for old-age benefits by reason of employment while single or after the death of their husbands.

Ultimately about 20 to 25 percent of the female old-age beneficiaries (as in table 7) are estimated to be also qualified for wife's benefits. However, since the wife's benefit is only 50 percent of the husband's old-age benefit, in only about one-fourth of such cases is the wife's benefit larger than the old-age benefit in her own right.

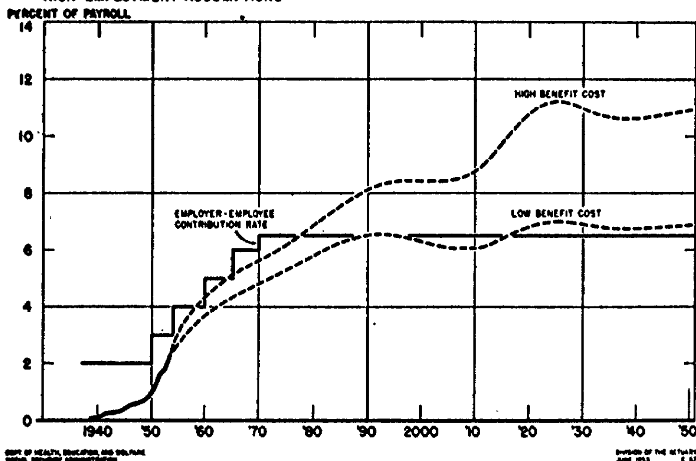
Ultimately about 40 to 55 percent of the female old-age beneficiaries are estimated as also qualified for widow's benefits. Since the widow's benefit is 75 percent of the husband's old-age benefit, a relatively large proportion of such women (about one-half) have a larger widow's benefit than old-age benefit in own right. It should be emphasized again that these figures are particularly subject to fluctuations and uncertainty.

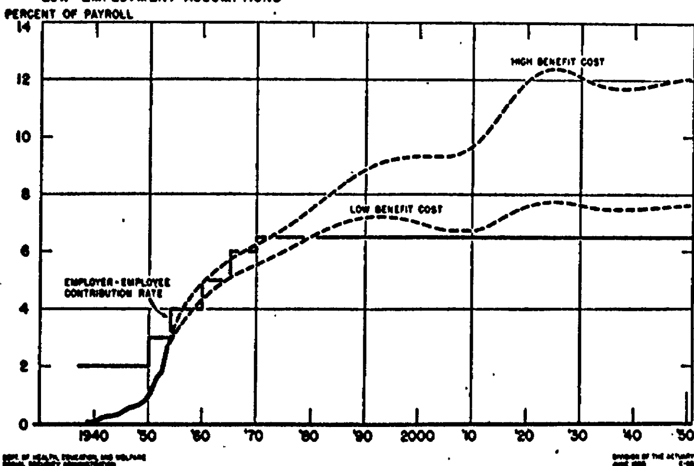
Table 12 indicates the estimated average annual benefits in current payment status for old-age beneficiaries and their dependents. Also shown are the additional wife's average benefits payable for those women who receive a full old-age benefit which is smaller than the full wife's benefit otherwise payable. In all instances for men the average benefit payment shows a gradual rise. Because of the assumptions of more steady employment under the high-employment estimates, the eventual average benefits are somewhat higher than for the low-employment assumption estimates. For a particular employment assumption the averages tend to be slightly higher under the low-cost assumptions than under the high-cost assumptions; in general, this occurs because the high-cost assumptions assume a greater proportion insured, and thus spreading the total covered wages among more persons results in lower average benefits.

Table 13 shows estimated average benefits in regard to survivors and lump-sum death payments. The same general differences as between the various estimates hold true here as in table 12.

Table 14 summarizes the estimated benefit payments, along with the actual data for the years 1950–52. The benefit payments increase from the level of about $2.3 billion in 1952 to $12 to $16 billion in the year 2000. Old-age benefits constitute from 65 to 75 percent of the total benefit payments in the year 2000, with the other benefits for those age 65 and over making up all but about 8 percent of the total. This contrasts with the actual 1952 data in which old-age benefits were 61 percent, other benefits for those age 65 and over were 18 percent, and younger survivor and lump-sum death benefits were 21 percent.

Charts 1 and 2 present graphically for the high-employment and low-employment assumptions, respectively, the trend of the actual and estimated benefit costs from 1937 on, along with the contribution rates specified in the law. Under the low-cost examples, benefit costs are roughly the same as the contribution rate in all years although under high-employment assumptions benefits are below contributions for the first 30 years. On the other hand, under the high-cost examples, the benefit costs exceed the contribution rate after 1970 for the low-employment assumptions and 1975 for the high-employment assumptions.





Tables 15a and 15b relate the estimated benefits to taxable payroll for the low-employment and high-employment assumptions respectively. The total cost for the ultimate condition (from the year 2020 on) ranges from 7.6 to 12.1 percent of payroll for the low-employment assumption and from 6.9 to 10.9 percent for the high employment assumptions.

In addition to the figures for the low-cost and high-cost estimates, there have been developed intermediate cost estimates which are merely an average of the low-cost and high-cost estimates and are not intended to represent "most probable" figures. Rather, they have been set down as a convenient and readily available single set of figures to be used for comparative purposes.

Furthermore, since the Congress has adopted the principle of establishing in the law a contribution schedule designed to make the system self-supporting, it was necessary at the time the legislation was enacted to select a single set of estimates as the basis for the contribution schedule. The intermediate estimate was used for this purpose. Quite obviously any specific schedule may require modification in the light of experience, but the establishment of the schedule in the law does make clear the congressional intent that the system be self-supporting. Further, exact self-support cannot be obtained from a specific set of integral or rounded fractional rates, but rather this principle of self-support was aimed at as closely as possible by the Congress in 1950 when it developed the tax schedule in the law, and again in 1952 when further amendments were made.

The low-cost and high-cost estimates result from two carefully considered series of assumptions. The intermediate-cost estimate represents an average of the low-cost and high-cost estimates of beneficiaries, benefit disbursements, and total taxable payroll. The corresponding estimates of benefits relative to payroll are developed from these dollar figures.

Another concept of long-range cost is the level-premium contribution rate required to support the system into perpetuity based on discounting at interest and assuming that benefit payments and taxable payrolls remain level after the year 2050 (actually the relationship between benefits and payroll is virtually constant after about 2020). If such a level rate were adopted, relatively large accumulations in the trust fund would result, and in consequence also sizable eventual income from interest. Even though such a method of financing is not followed, this concept may nevertheless be used as a convenient measure of long-range costs. In one respect this is a better cost concept since it takes into account the heavy deferred load although, on the other hand, some may feel it unrealistic because it deals with periods beyond the year 2050, and also it is dubious to assume a leveling off or stabilization at any time.

Table 16 deals with level-premium costs of the benefits in perpetuity by further taking into account administrative expenses and the accumulated fund on hand at the end of 1952. The resulting net cost level-premium would, if actual experience is the same as the particular estimate, be the level contribution rate payable both by the self-employed and by the employer and employee combined, which if in effect hereafter would result in an exactly self-supporting system; then funds accumulating at interest would supply income eventually sufficient to offset the excess of benefit payments over contributions. The adjusted net cost level-premium shown is the corresponding figure for the level contribution rate payable by the employer and employee combined, with the self-employed paying only three-fourths of this rate. The resulting figures are shown for four interest rates—2 percent (the rate used in the previous cost estimates of Actuarial Study No. 23), 2¼ percent (close to the rate of 2.3 percent on investments in the trust fund as of June 30, 1953, and also the rate used in the cost estimates made for the 1952 amendments when they were being considered by Congress), 2½ percent, and 2¾ percent. The current rate on new investments in special issues is 2⅜ percent, and in fact in July 1953 all investments in the trust fund will carry at least this rate (after the funds from special certificates of indebtedness falling due June 30 are reinvested in new special certificates).

At 2¼ percent interest the adjusted new cost level-premium ranges from 6.5 to 8.6 percent of payroll for the low-employment assumptions and from 5.8 to 7.8 percent for the high-employment assumptions. In other words, for the present system a level employer-employee contribution rate (self-employed paying three-fourths of as little as 5¾ percent might be sufficient or, on the other hand, a rate of 8½ percent might be necessary under adverse circumstances. Using a higher interest rate naturally results in somewhat lower costs and vice versa. A differential of one-half of 1 percent in the interest rate has a net effect on the level-premium of about one-third of 1 percent of payroll under the low-cost assumptions and of about one-half of 1 percent of payroll under the high-cost assumptions.

Table 16 also shows the level-premium equivalents of the present contributions based on the graded schedule now in the law (as established by the 1950 amendments). These figures are on a comparable basis with the adjusted net cost level-premium figures for benefits and show the relative sufficiency (or insufficiency) of the contribution schedule.

Tables 17a and 17b present the estimated progress of the trust fund at 2¼ percent interest under the contribution schedule in present law. Under the high-employment, low-cost estimate the fund continues to grow in the future reaching $315 billion in the year 2050. However, under the other estimates the fund grows for a time and then declines until it is eventually exahusted. Under the high-employment, high-cost estimate the fund reaches a peak in 1978 of $41 billion and is exhausted in 1997. Under the low-employment, low-cost assumptions the fund reaches a peak of $45 billion in 1985 and is exhausted in 2028. Under the low-employment, high-cost assumptions the fund reaches a peak of $20 billion in 1957, remains slightly below this level for the next 15 years, and is exhausted in 1986.

Tables 17c and 17d give the estimated progress of the trust fund under the contribution schedule in present law but using 2¾ percent interest. As would be anticipated, the fund grows to a larger size than under the 2¼ percent interest assumption, and any exhaustion date comes later.

The level rate equivalent to the graded contribution schedule shown in table 16 is greater than the net cost only for the high-employment, low-cost assumption. Thus it would be anticipated that the trust fund would continue to grow only under this assumption and would be ultimately exhausted under the other assumptions.

Tables 18a and 18b show the progress of the trust fund, based on 2¼ and 2¾ percent interest, under a 3 percent level employer-employee contribution rate (in contrast with tables 17 which were on the basis of the present contribution schedule). In between these two contribution schedules there are numerous alternatives.

Tables 19a and 19b show for low and high employment assumptions respectively the progress of the trust fund based on 2¼ percent interest and a level contribution rate that would be just sufficient to pay the benefits and administrative expenses in the future. It was assumed in the cost estimates that benefit disbursements and contributions would be the same after the year 2050 as in the year 2050. It was also assumed for the purpose of these tables that the contribution rate would be just sufficient to pay benefits in the future (after 1952). Such rate is, of course, the appropriate adjusted net cost figure from table 16. Thus, it follows that the fund will reach its peak in the year 2050 and that the fund then will be of such size that the interest earnings plus the contributions will equal the benefit payments plus administrative expenses in the year 2050 (i. e., the interest earnings will equal the negative net income) and thereafter.

D. ACCRUED LIABILITY UNDER OASI

Accrued liability is the dollar amount necessary as of a given date to pay in the future all accrued benefits if the system should then terminate. Thus the value of this accrued liability will vary, depending on the intent as to what benefit rights will be recognized if the system should terminate. When a system is set up specifying a contribution rate which, in the early years, is more than necessary to pay the benefits, then a trust fund is developed form this excess, which represents the funded portion of the accrued liability.

If the "intent" under the system were only to continue payments to all of the beneficiary rolls (see actuarial study No. 35 which presents actuarial analysis under this concept), then the accrued liability (present value of benefits on the rolls) at the end of 1953 is $23 billion, of which $19 billion is funded (the then trust fund). Table 20 shows for a 2¼ percent interest rate a comparison of the estimated trust fund in future years with the estimated present value of benefits in current payment status; these present values are based on 1939–41 mortality rather than the improving, generation mortality used in the cost estimates and are thus definitely understatements. For the next 50 years, by coincidence, in the low-cost estimate the present value of the benefits on the roll is roughly the same as the balance in the fund. For the other two estimates, such present values always exceed the trust fund. By the year 2050 the present value of benefits on the rolls will be about $180 billion, while the trust fund at that time will be exhausted on the intermediate-cost basis.

If the intent were not only to pay all beneficiaries in current payment status but also to make proportional payments to all others who have contributed, then the accrued liability at the present time is about $200 billion, of which $18 billion is funded.

Under this latter concept, accrued liability may be expressed as the excess of the present value of all future benefit payments over the normal cost of those benefits, where the normal cost is the average cost for new entrants. For the high-employment intermediate cost estimate, table 21a shows this normal cost

(using 2¼ percent interest) to be 4.42 percent, while the total cost is 6.80 percent of which 0.22 percent is payable from interest on the funded portion of this accrued liability (present trust fund), leaving a net cost of 6.58 percent of payroll (see table 16). Corresponding figures are shown in table 21b for 2¾ percent interest.

E. THE EFFECT OF AN INCREASING WAGE ASSUMPTION

A factor mentioned earlier, but not used in the actuarial projections, is the trend, exhibited in the past, of an irregular but upward movement in earnings, both on a dollar basis and in the form of real wages. If this secular trend continues, then—other things being equal—the curves of benefits and contributions would both be more steeply ascending than shown. The upward changes in the contribution curves, however, would be far more accentuated than would be such changes in the benefit curves. There are several reasons for this, the important one being that the benefit increase would be dampened because—

(1) The benefits are determined by the average monthly wage up to the maximum of $300; 55 percent is applied to the first $100 thereof and 15 percent to that part above $100. As average earnings increase and as more persons approach or reach the $300 maximum, a larger portion of such earnings falls in that bracket of the benefit formula to which the 15 percent rather than the 55-percent rate applies. Thus benefits are smaller in relation to earnings, and consequently in relation to contributions.

(2) Any year's contributions are substantially based on the covered earnings of that year, while any year's benefits in force are based on weighted composite earnings of all previous years in which the insured persons on whose account the benefits are paid worked in covered employment, thus including—in far distant future years—earnings of as much as 60 years previously.

The assumption of steadily rising earnings in conjunction with an unamended benefit formula would have an important bearing in considering the long-range cost of the program. With such an assumption, the future rise in earnings would seem to offer significant financial help in the financing of benefits because contributions at a fixed percentage rate would increase steadily relative to benefit disbursements; but the benefits paid to beneficiaries would steadily diminish in relation to current earnings levels. In such a case, offsetting this apparent savings in cost, it is likely that from the long-range point of view the present benefit formula would not be maintained. Rather, revisions would probably be made by the Congress (perhaps with some delay) which would make average benefits as adequate relative to the then-existing earnings level as average benefits under the present formula are in relation to the level prevailing when the 1952 amendments were enacted.

In revising the benefit schedule to conform with the altered earnings level, the changed cost and contribution picture would have to be considered. This is especially so as to changes resulting from the fact that benefits would be based on earnings prevailing at the time of such change and thereafter, while the accumulated trust fund at that time would have developed from contributions on the lower earnings prevailing during the past. The fund thus would not play as important a role in financing the program as would have been the case if the earnings level had not changed. Accordingly, because of the diminution of the value of the existing fund toward financing of the program, the level-premium cost of the program would be increased if the benefit level were adjusted in exact proportion with the increase in the earnings level. For small rates of increase in the earnings level the increase in cost may be partially counterbalanced by the timelag which would undoubtedly occur between the rise in earnings level and the amendment of the benefit provisions. However, for large rates of increase in earnings levels (i. e., for rates equal to or in excess of the assumed valuation interest rate), the level-premium cost would be the ultimate cost, since the fund would ultimately not play any role in the financing of the benefits.

In addition to excluding the assumption of increasing wages in the future, the detailed cost estimates given have avoided dealing with various other important secular trends. These have diverse effects on costs which cannot now be adequately extrapolated into the future. One illustration is the lengthening of the period of childhood or preparation for work. Another possibility is a drastic change in the average age of retirement, either to a considerably lower effective age so that practically all persons would retire at the minimum age of 65, or conversely to a higher effective age under circumstances of greatly improved health conditions combined with good employment opportunities, such that few would retire before age 70 or even 75.

F. COMPARISON WITH PREVIOUS ESTIMATES

The cost estimates used as the basis for the 1950 and 1952 amendments were, in effect, based on the assumptions developed for Actuarial Study No. 23 in 1946 with three exceptions: First, the cost estimates based on the low-employment assumptions were discontinued because by 1948 these assumptions seemed unrealistic; second, modifications in the earnings assumptions were made from time to time; and, third, the interest assumptions were changed in the estimate for the 1952 amendments.

In the previous cost estimates (prepared from 1939 on) it had always been assumed that the system would mature in the year 2000 or, in other words, that benefit payments and contributions would be level thereafter. In the new cost estimates, an alternative assumption is made by maturing any trends, such as mortality, in the year 2000 but going on with the estimates for another 50 years. In one sense, this seems necessary because we know that the aged population itself cannot mature by the year 2000. The reason for this is that the number of births in the 1930's was very low as compared with those since then, and, as a result, there is a dip in the relative proportion of the aged from 1995 to about 2010, which, in itself, would be reflected in OASI benefit costs for that period. Accordingly, the year 2000 is by no means a typical ultimate year.

Table 22 compares benefit costs related to payroll for the previous estimate and for current estimate. One important point to observe is that in the next 10 to 20 years the current estimate shows considerably higher cost than the previous one; in large part, this arises because the previous estimates did not take sufficient account of the very sizable effect of the new start insured-status provision in the 1950 amendments, especially as it would affect persons in their fifties (although the estimate of the number of new eligibles age 65 and over was reasonably close).

Considering the year-by-year figures, those for the low-cost estimate under the current estimate are higher than in the previous estimate by close to 1 percent of payroll up to 1990 and by somewhat more than one-half of 1 percent of payroll in the year 2000. Under the high-cost estimate, the current estimate is somewhat higher through 1970 but lower thereafter. As a result, the intermediate-cost estimate under the current estimate is somewhat higher than the previous estimate up through 1990 but for the year 2000 is almost one-half of 1 percent of payroll lower.

The ultimate cost for the new cost estimates is reached in about the year 2025 at roughly 7 percent of payroll for the low-cost estimate, 11 percent for the high-cost estimate, and 8½ percent for the intermediate-cost estimate. Each of these figures is about 1 percent of payroll higher than the corresponding figure for the year 2000 in the previous estimates, which assumed level conditions after 2000.

Next, considering level-premium costs, if it is assumed that benefits and contributions are level after the year 2000, as assumed previously, the intermediate figure is 6.09 percent, or about one-fourth percent of payroll higher than in the previous estimate. This figure, however, is increased by about one-half percent of payroll, if the increasing trend likely beyond the year 2000 is taken into account.

Table 23 compares benefit costs related to payroll for various years for all of the major long-range cost estimates that have been made in regard to the program, beginning with the 1935 act and for each of the major amendments thereto. It is not appropriate to compare level-premium costs because of several factors such as different interest rates, different assumptions as to when maturity would occur, and the different time elements involved. In regard to the latter point, the level-premium cost in a given estimate for a particular plan will shift over the course of time if a graded contribution schedule is involved. Thus, for instance, consider a plan beginning in 1937 and remaining unchanged thereafter, with the experience exactly following the cost assumptions originally used. Under such circumstances, if the level-premium cost were 5 percent at the inception of the plan, and if a graded-contribution schedule beginning at 2 percent and running up to 6 percent over a period of years were established such as to be equivalent to the level rate of 5 percent, then the level-premium cost determined in later years would be higher than 5 percent because this amount had not been collected in the early years of operation. In fact, ultimately the level-premium cost would be 6 percent of payroll (by the time the contribution schedule reached 6 percent).

In table 23 no figures are shown after 1980 for the earliest estimates, and after 2000 for all but the most recent estimates. In those instances, the cost was assumed to level off after that point.

In 1955, the current estimates indicate a cost of roughly 3 to 3½ percent of payroll. By coincidence this is approximately the same range as was indicated in the original cost estimates for the 1935 act and well below the 4½ to 5½ percent range shown for the 1939 amendments in the estimates made at the time of their enactment. Subsequent 1955 estimates made for the 1939 act show lower costs than these, as do also the corresponding estimates for the 1950 and 1952 amendments made at the time of their enactment.

As to ultimate costs, the current estimates for the present act indicate a range from about 7 percent for the low-cost estimate to 11–12 percent for the high-cost estimate. This is well below the range shown in the original estimates for the 1935 act, namely, somewhat over 9 percent to somewhat over 13 percent. These ultimate costs for the present system according to the current estimates are, however, at roughly the same level as most of the other cost estimates made at various times.

TABLE 1.—*Estimated United States population in future years* [1]

[Figures in millions of persons]

Calendar year	Aged 20 to 64			Aged 65 and over			All ages		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
ACTUAL CENSUS DATA [1]									
1950	44	45	89	6	7	12	77	78	155
PROJECTION FOR LOW-COST ASSUMPTIONS									
1960	46	48	95	7	8	15	86	88	174
1970	52	54	106	8	10	18	94	96	190
1980	58	59	117	9	13	22	103	106	209
1990	62	62	125	11	15	25	113	115	228
2000	70	69	139	11	15	26	123	125	248
2025	85	84	169	16	20	36	153	153	306
2050	104	102	206	19	23	42	186	185	371
PROJECTION FOR HIGH-COST ASSUMPTIONS									
1960	47	48	95	7	8	15	86	87	173
1970	53	54	107	8	10	19	91	93	184
1980	58	59	116	10	13	23	97	100	197
1990	60	59	119	12	15	27	103	105	207
2000	64	63	128	12	16	28	108	108	216
2025	66	64	130	18	21	39	116	116	232
2050	69	67	136	18	21	38	120	119	239

[1] These data relate to the total United States and not merely to the continental United States.

TABLE 2-A.—*Assumed ratios of persons under age 65 with wage credits in year to total population in age group (percent)*

MALES

Age group	Low employment			High employment		
	1955	1975	2000	1955	1975	2000
15 to 19	45	45	45	60	60	60
20 to 24	80	80	80	80	80	80
25 to 29	85	85	85	89	89	89
30 to 34	85	85	85	91	91	91
35 to 39	82	82	82	89	89	89
40 to 44	81	81	81	88	88	88
45 to 49	77	77	77	85	85	85
50 to 54	71	71	71	78	78	78
55 to 59	69	69	69	77	77	77
60 to 64	59	59	59	68	70	70

FEMALES

Age group	Low employment			High employment		
	1955	1975	2000	1955	1975	2000
15 to 19	30	30	30	42	48	55
20 to 24	48	48	48	56	60	65
25 to 29	36	36	36	42	44	47
30 to 34	35	35	35	40	42	45
35 to 39	33	33	33	40	42	45
40 to 44	31	31	31	39	40	42
45 to 49	29	29	29	38	40	41
50 to 54	25	25	25	33	34	36
55 to 59	20	20	20	26	28	29
60 to 64	15	15	15	20	22	23

TABLE 2-B.—*Assumed ratios of aged persons with wage credits in year to total population in age group (percent)*

MALES, LOW-COST ESTIMATE

Age group	Low employment			High employment		
	1955	1975	2000	1955	1975	2000
65 to 69	43	43	43	52	57	57
70 to 74	23	23	23	29	32	32
75 to 79	7	7	7	12	13	13

MALES, HIGH-COST ESTIMATE

Age group	Low employment			High employment		
	1955	1975	2000	1955	1975	2000
65 to 69	31	31	31	46	42	42
70 to 74	15	15	15	26	23	23
75 to 79	5	5	5	10	9	9

FEMALES, LOW-COST ESTIMATE

Age group	Low employment			High employment		
	1955	1975	2000	1955	1975	2000
65 to 69	12	12	12	15	16	18
70 to 74	5	5	5	7	8	9
75 to 79	2	2	2	2	2	3

FEMALES, HIGH-COST ESTIMATE

Age group	Low employment			High employment		
	1955	1975	2000	1955	1975	2000
65 to 69	8	8	8	11	12	14
70 to 74	3	3	3	4	5	6
75 to 79	1	1	1	1	2	2

TABLE 3.—*Assumed percentage distributions of persons with wages in year by quarters with wages*

MALES, LOW EMPLOYMENT

Age group	1 quarter	2 quarters	3 quarters	4 quarters	Total
15 to 19	25	25	20	30	100
20 to 24	15	15	14	56	100
25 to 29	10	10	10	70	100
30 to 34	8	10	9	73	100
35 to 39	8	9	9	74	100
40 to 44	8	9	9	74	100
45 to 49	8	9	9	74	100
50 to 54	8	9	10	73	100
55 to 59	8	9	10	73	100
60 to 64	8	10	11	71	100
65 to 69	10	11	14	65	100
70 plus	12	13	15	60	100

MALES, HIGH EMPLOYMENT

Age group	1 quarter	2 quarters	3 quarters	4 quarters	Total
15 to 19	25	25	20	30	100
20 to 24	13	12	10	65	100
25 to 29	9	8	8	75	100
30 to 34	7	8	7	78	100
35 to 39	6	7	7	80	100
40 to 44	6	7	7	80	100
45 to 49	6	7	7	80	100
50 to 54	6	7	7	80	100
55 to 59	6	7	8	79	100
60 to 64	7	8	10	75	100
65 to 69	10	10	12	68	100
70 plus	12	12	14	62	100

FEMALES

Age group	1 quarter	2 quarters	3 quarters	4 quarters	Total
15 to 19	24	24	19	33	100
20 to 24	16	16	15	53	100
25 to 29	18	15	15	52	100
30 to 34	16	14	14	56	100
35 to 39	15	13	13	59	100
40 to 44	13	11	13	63	100
45 to 49	12	11	12	65	100
50 to 54	12	11	11	66	100
55 to 59	12	10	12	66	100
60 to 64	12	11	12	65	100
65 to 69	14	12	12	62	100
70 to 74	14	10	11	65	100
75 plus	19	13	14	54	100

TABLE 4.—*Assumed ratios of insured persons to total population*[1] *(percent)*

MALES

Age group	Low employment			High employment		
	1955	1975	2000	1955	1975	2000
15 to 19	10-10	10-10	10-10	13-13	13-13	13-13
20 to 24	60-65	60-65	60-65	70-70	70-70	70-70
25 to 29	70-82	70-80	70-80	85-89	85-89	85-89
30 to 34	80-86	75-83	75-83	85-90	82-90	82-90
35 to 39	83-88	75-83	75-83	86-90	80-90	80-90
40 to 44	82-84	75-83	75-83	85-88	80-90	80-90
45 to 49	80-82	76-84	76-84	83-85	81-90	81-90
50 to 54	77-78	77-85	76-85	80-80	83-90	82-91
55 to 59	73-75	78-85	77-86	74-76	84-88	83-93
60 to 64	70-73	78-82	78-87	72-75	83-87	84-95
65 to 69	70-73	74-77	78-87	72-75	78-82	85-95
70 to 74	63-65	70-73	78-87	65-68	74-77	85-95
75 to 79	48-50	69-72	78-87	50-55	72-76	86-95
80 to 84	37-38	70-73	79-85	38-42	72-77	86-91
85 plus	29-29	68-71	77-81	28-30	70-75	82-86

FEMALES

Age group	Low employment			High employment		
	1955	1975	2000	1955	1975	2000
15 to 19	7- 7	7- 7	7- 7	9- 9	10-10	11-11
20 to 24	50-50	50-50	50-50	50-56	57-57	59-59
25 to 29	43-48	40-45	40-45	50-53	50-53	51-54
30 to 34	55-58	35-40	35-40	58-60	46-49	47-51
35 to 39	52-55	33-38	33-38	54-54	40-47	41-49
40 to 44	45-48	34-40	34-40	44-47	40-49	41-51
45 to 49	40-42	35-43	35-43	40-42	41-52	43-54
50 to 54	37-39	37-48	36-46	36-39	43-55	44-56
55 to 59	31-33	37-48	37-48	31-32	43-55	43-57
60 to 64	25-26	37-44	37-50	26-30	40-48	44-58
65 to 69	20-23	32-38	37-52	23-24	35-42	41-59
70 to 74	15-16	27-34	37-52	15-17	30-36	43-59
75 to 79	8- 8	25-30	37-53	8- 9	28-32	43-58
80 to 84	5- 5	23-27	37-52	5- 5	26-30	43-58
85 plus	2- 2	19-21	36-44	2- 2	21-23	39-48

[1] Includes both those fully insured and those currently insured only. At older ages and in future years latter category is relatively negligible.

NOTE.—Range shown is for low-cost and high-cost estimates, respectively.

TABLE 5.—*Estimated persons with wage credits, total credited wages, and average creditable wages*

Calendar year	Persons with wage credits in year (in millions)			Total credited wages in year (in billions)	Average wage
	Males	Females	Total		
ACTUAL DATA					
1951[1]	(2)	(2)	58.0	$117.0	$2,017
LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS					
1955	39.6	16.9	56.5	$113.5	$2,008
1960	41.1	17.6	58.7	117.3	2,000
1980	51.2	21.6	72.8	145.7	2,000
2000	61.7	25.7	87.4	174.9	2,001
2050	92.1	37.7	129.8	260.3	2,005
LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS					
1955	39.1	16.7	55.8	$112.2	$2,009
1960	40.5	17.[illegible]	58.0	116.0	2,001
1980	49.8	20.7	70.6	142.2	2,015
2000	55.3	22.4	77.6	156.9	2,020
2050	59.8	23.6	83.4	169.0	2,026
HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS					
1955	43.6	20.9	64.6	$132.6	$2,079
1960	45.5	22.4	67.9	138.6	2,064
1980	56.7	29.0	85.8	173.9	2,052
2000	68.4	36.6	105.0	211.5	2,038
2050	102.4	53.8	156.2	315.2	2,042
HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS					
1955	43.4	20.7	64.1	$131.8	$2,080
1960	45.1	22.2	67.2	137.2	2,065
1980	55.0	27.8	82.8	169.2	2,069
2000	61.2	31.9	93.2	189.7	2,061
2050	66.5	33.8	100.3	204.8	2,007

[1] Preliminary.
[2] Not available.

TABLE 6.—*Estimated insured populations as of beginning of year* [1]

[Figures in millions of persons]

Calendar year	All ages			Aged 65 and over		
	Males	Females	Total	Males	Females	Total
ACTUAL DATA (AS OF JAN. 1)						
1951	37.9	21.9	59.8	1.5	0.3	1.8
1952	39.3	23.0	62.4	1.8	.5	2.3
1953	41.6	25.0	66.5	2.1	.6	2.6
LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS						
1955	38.5	21.8	60.3	3.8	1.0	4.9
1960	39.7	21.4	61.0	4.6	1.5	6.1
1980	50.0	26.7	76.7	7.0	3.9	10.9
2000	60.5	32.4	92.9	8.6	5.5	14.0
2050	91.9	48.1	140.0	14.8	8.7	23.4
LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS						
1955	40.7	23.0	63.7	4.0	1.1	5.1
1960	42.2	23.5	65.7	4.8	1.7	6.5
1980	55.1	31.3	86.5	7.7	4.9	12.6
2000	63.6	36.7	100.3	10.5	8.1	18.6
2050	72.4	40.9	113.3	15.5	10.7	26.2
HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS						
1955	41.2	22.9	64.2	3.9	1.1	5.1
1960	42.7	23.6	66.2	4.7	1.7	6.4
1980	55.2	31.9	87.0	7.4	4.3	11.7
2000	66.9	39.6	106.5	9.3	6.4	15.7
2050	101.5	60.5	162.0	16.1	10.6	26.7
HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS						
1955	42.7	23.7	66.4	4.2	1.2	5.4
1960	44.8	25.0	69.8	5.0	1.9	6.9
1980	59.6	37.0	96.5	8.2	5.4	13.5
2000	69.2	44.2	113.4	11.5	9.1	20.5
2050	78.9	50.2	129.1	16.9	12.4	29.3

[1] Includes both fully insured and currently insured only. In future years, relatively few of those aged 65 and over will be currently insured only.

TABLE 7.—*Estimated monthly beneficiaries age 65 and over in current payment status* [1]

[Figures in thousands of persons]

Calendar year	Old-age [3]		Wife's [4]	Survivors		Total aged [6]
	Males	Females		Widow's [5]	Parents	
ACTUAL DATA (AS OF DECEMBER) [2]						
1950	1,469	302	490	314	15	2,590
1951	1,819	450	618	384	19	3,290
1952	2,052	592	704	455	21	3,824
LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS						
1955	2,923	785	958	768	25	5,459
1960	3,603	1,231	1,174	1,341	27	7,376
1970	4,485	2,142	1,471	2,445	31	10,474
1980	5,706	3,514	1,546	3,104	35	13,935
2000	7,213	5,080	1,851	3,747	43	17,943
2050	12,823	7,499	3,182	5,670	43	29,217
LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS						
1955	3,342	975	1,077	777	27	6,198
1960	4,102	1,540	1,301	1,348	31	8,322
1970	5,186	2,896	1,520	2,457	39	12,098
1980	6,739	4,672	1,689	3,105	47	16,252
2000	9,590	7,836	2,016	3,404	63	22,909
2050	13,997	10,368	3,113	4,538	63	32,079
HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS						
1955	2,795	796	920	761	25	5,297
1960	3,417	1,298	1,114	1,328	27	7,184
1970	4,306	2,300	1,304	2,413	31	10,354
1980	5,600	3,738	1,488	3,082	35	13,943
2000	7,461	5,750	1,778	3,644	43	18,676
2050	12,694	9,478	2,089	5,354	43	30,558
HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS						
1955	3,148	979	1,029	779	27	5,962
1960	4,004	1,621	1,268	1,353	31	8,277
1970	5,137	2,912	1,496	2,470	39	12,054
1980	6,818	4,933	1,649	3,076	47	16,523
2000	9,989	8,581	1,894	3,266	63	23,793
2050	14,737	11,699	2,908	4,107	63	33,514

[1] For estimated data, this corresponds to average monthly number in current payment status.
[2] Excluding effect of railroad coverage under financial interchange provisions.
[3] I. e., retired workers. Persons qualified both for old-age benefits and for other benefits are shown as old-age beneficiaries.
[4] Including husband's benefits.
[5] Including widower's benefits.
[6] Excludes the relatively negligible number of mother's beneficiaries over 65 but not eligible for widow's benefits.

TABLE 8.—*Estimated monthly beneficiaries age 65 and over in current payment status as percent of total aged population*

ACTUAL DATA (AS OF DECEMBER)[1]

Calendar year	Low-cost assumptions			High-cost assumptions		
	Males	Females	Total	Males	Females	Total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1950	25	17	21	25	17	21
1951	31	22	26	31	22	26
1952	34	26	29	34	26	29
LOW-EMPLOYMENT ASSUMPTIONS						
1955	45	34	39	52	38	45
1960	51	45	48	58	50	54
1980	61	65	63	68	74	71
2000	66	72	69	78	85	82
2050	65	72	69	79	87	83
HIGH-EMPLOYMENT ASSUMPTIONS						
1955	43	34	38	49	38	43
1960	49	45	47	57	51	53
1980	59	66	63	69	75	72
2000	68	75	72	82	88	85
2050	67	76	72	83	91	87

[1] Excluding effect of railroad coverage under financial interchange provisions.

TABLE 9.—*Estimated old-age beneficiaries in current payment status as percent of insured population age 65 and over*[1]

ACTUAL DATA (AS OF DECEMBER)[2]

Calendar year	Low-cost assumptions			High-cost assumptions		
	Males	Females	Total	Males	Females	Total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1950	50	50	50	50	50	50
1951	59	66	60	59	66	60
1952	62	76	65	62	76	65
LOW-EMPLOYMENT ASSUMPTIONS						
1955	76	76	76	84	86	84
1960	79	82	80	86	90	87
1980	82	90	85	88	95	90
2000	84	93	88	90	97	93
2050	83	92	87	90	97	93
HIGH-EMPLOYMENT ASSUMPTIONS						
1955	71	72	71	75	82	77
1960	73	78	74	79	86	81
1980	76	87	80	83	92	87
2000	80	90	84	87	95	90
2050	79	90	83	87	95	90

[1] I. e., retired workers.
[2] Excluding effect of railroad coverage under financial interchange provisions.

TABLE 10.—*Estimated monthly beneficiaries under age 65 in current payment status and lump-sum death payments in year* [1]

[Figures in thousands of persons]

ACTUAL DATA [2]

Calendar year	Supplementary benefits [4]		Survivor benefits		Lump-sum payments [5]
	Wife's [3]	Child's	Mother's	Child's	
1950	9	46	169	653	200
1951	29	68	204	778	414
1952	34	75	228	864	438
LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS					
1955	67	101	305	1,097	630
1960	76	114	380	1,252	727
1970	85	128	418	1,306	913
1980	113	170	428	1,322	1,094
2000	126	189	480	1,502	1,404
2050	226	339	712	2,200	2,229
LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS					
1955	81	122	356	1,137	646
1960	87	131	455	1,301	744
1970	93	140	498	1,329	949
1980	118	177	493	1,272	1,156
2000	125	188	470	1,182	1,550
2050	185	277	491	1,207	2,087
HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS					
1955	61	91	284	1,100	651
1960	66	99	359	1,282	768
1970	75	113	404	1,374	974
1980	104	156	421	1,413	1,184
2000	121	181	473	1,614	1,557
2050	215	323	701	2,366	2,514
HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS					
1955	71	107	340	1,149	673
1960	80	120	412	1,341	784
1970	88	132	494	1,407	1,012
1980	115	172	496	1,366	1,245
2000	127	190	478	1,289	1,701
2050	188	282	500	1,317	2,325

[1] For estimated data, this corresponds to average monthly number in current payment status.
[2] For monthly benefits, as of December. Excluding effect of railroad coverage under financial interchange provisions.
[3] Wife is under age 65, with dependent child under 18 in her care.
[4] Payable to dependents of old-age beneficiaries (retired workers).
[5] Number of decedents on whose account payments are made.

TABLE 11.—*Estimated female beneficiaries qualified for both old-age benefits*[1] *and wife's or widow's benefits,*[2] *in current payment status*[3]

[Figures in thousand of persons]

Calendar year	Qualified for old-age and wife's		Qualified for old-age and widow's	
	Total eligible	With smaller old age benefit	Total eligible	With smaller old age benefit
LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS				
1960	120	32	282	141
1980	490	125	1,308	654
2000	868	217	2,132	1,066
2050	1,420	355	3,354	1,677
LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS				
1960	177	53	329	181
1980	779	234	1,712	912
2000	1,747	524	3,433	1,888
2050	2,385	716	5,051	2,778
HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS				
1960	140	35	317	158
1980	539	135	1,485	742
2000	1,063	266	2,654	1,327
2050	1,705	449	4,425	2,212
HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS				
1960	193	58	372	205
1980	862	259	1,940	1,067
2000	2,073	622	4,090	2,230
2050	2,913	874	6,338	3,496

[1] I. e., retired workers.
[2] Number eligible for both old-age and parent's benefits is relatively negligible.
[3] This corresponds to average monthly number in current payment status.

TABLE 12.—*Estimated average annual benefits for old-age beneficiaries and their dependents in current payment status*

ACTUAL DATA (BASED ON DECEMBER)[1]

Calendar year	Old-age[2]		Supplementary		
			Wife's[3]		
	Males	Females	With no old-age benefit	With smaller old-age benefit	Child's
1953	$626	$470	$312	(4)	$176
LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS					
1960	$729	$522	$375	$94	$228
1980	769	511	394	98	235
2000	772	500	395	99	236
2050	771	501	395	99	236
LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS					
1960	$723	$500	$374	$112	$221
1980	756	470	386	116	234
2000	757	434	387	116	235
2050	757	434	386	116	232
HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS					
1960	$738	$596	$379	$95	$234
1980	788	623	404	101	242
2000	790	557	404	101	244
2050	789	558	404	101	243
HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS					
1960	$753	$593	$390	$117	$225
1980	773	586	395	118	237
2000	774	488	395	118	238
2050	774	488	395	118	239

[1] Excluding effect of railroad coverage under financial interchange provisions.
[2] I. E., benefit for retired worker.
[3] Including husband's benefits.
[4] Subdivision not available.

NOTE.—Persons qualified both for old-age benefits and for other benefits are shown as old-age beneficiaries.

TABLE 13.—*Estimated average annual survivor benefits in current payment status and lump-sum death payments*

ACTUAL DATA (BASED ON DECEMBER) [1]

Calendar year	Survivor					Lump-sum payments [3]
	Widow's [2]		Mother's	Child's	Parent's	
	With no old-age benefit	With smaller old-age benefit				
1952	$488	(4)	$435	$375	$406	$165
LOW-EMPLOYMENT, LOW-COST ESTIMATE						
1960	$507	$127	$507	$369	$593	$171
1980	578	144	518	369	597	175
2000	590	148	519	372	597	170
2050	590	148	518	371	597	170
LOW-EMPLOYMENT, HIGH-COST ESTIMATE						
1960	$513	$154	$500	$361	$578	$171
1980	576	173	510	360	580	167
2000	582	175	511	361	580	159
2050	581	174	509	361	580	160
HIGH-EMPLOYMENT, LOW-COST ESTIMATE						
1960	$512	$128	$517	$378	$593	$175
1980	591	148	528	377	597	182
2000	604	151	529	378	597	176
2050	604	151	529	378	597	177
HIGH-EMPLOYMENT, HIGH-COST ESTIMATE						
1960	$544	$163	$512	$371	$578	$179
1980	592	178	520	367	580	177
2000	594	178	521	367	580	165
2050	593	178	520	368	580	166

[1] Excluding effect of railroad coverage under financial interchange provisions.
[2] Including widower's benefits.
[3] Based on number of decedents on whose account payments are made.
[4] Subdivision not available.

TABLE 14.—*Estimated benefit payments*

[Figures in millions of dollars]

Calendar year	Monthly benefits						Lump-sum death payments	Total benefits
	Old-age [2]	Wife's [3]	Widow's [4]	Parent's	Child's	Mother's		
ACTUAL DATA (CERTIFICATIONS) [1]								
1950	$615	$97	$95	$4	$155	$53	$33	$1,051
1951	1,169	181	160	9	281	86	57	1,942
1952	1,392	209	197	10	324	97	63	2,292
LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS								
1955	$2,381	$350	$370	$14	$430	$149	$104	$3,798
1960	3,269	459	695	15	488	191	124	5,241
1970	4,583	561	1,402	17	512	216	161	7,452
1980	6,200	646	1,879	20	528	222	191	9,686
2000	8,113	780	2,360	24	603	250	239	12,369
2050	13,506	1,341	3,577	26	807	369	380	20,096
LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS								
1955	$2,747	$398	$382	$16	$444	$172	$108	$4,267
1960	3,737	511	717	18	499	226	127	5,835
1970	5,298	618	1,443	23	511	254	163	8,310
1980	7,286	704	1,943	27	499	251	193	10,903
2000	10,613	867	2,337	37	471	240	246	14,811
2050	15,091	1,324	3,107	37	500	250	333	20,642
HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS								
1955	$2,349	$337	$370	$14	$438	$141	$112	$3,761
1960	3,294	439	695	15	507	184	133	5,267
1970	4,811	546	1,410	17	546	214	179	7,723
1980	6,739	638	1,915	20	571	222	216	10,321
2000	9,101	772	2,379	24	654	251	274	13,455
2050	15,305	1,302	3,530	26	972	372	444	21,951
HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS								
1955	$2,820	$405	$410	$16	$454	$167	$118	$4,390
1960	3,976	519	764	18	524	225	140	6,166
1970	5,766	623	1,511	23	550	257	183	8,913
1980	8,161	707	1,994	27	543	257	220	11,909
2000	11,918	851	2,315	37	518	249	281	16,169
2050	17,110	1,294	3,017	37	551	260	385	22,654

[1] Excluding effect of railroad coverage under financial interchange provisions.
[2] I. e., for retired workers.
[3] Including husband's benefits.
[4] Including widower's benefits.

NOTE.—Where persons are qualified both for old-age benefits and for other benefits, the full old-age benefit is assumed to be paid with supplementary payment of the excess of the other benefit if larger. Benefit payments to children of old-age beneficiaries are combined with child's survivor benefits.

TABLE 15-A.—*Estimated benefit payments as percent of taxable payroll low-employment assumptions*

Calendar year	Monthly old-age benefits					Monthly younger survivor benefits		Lump-sum death benefits	Total benefits
	Primary	Wife's	Widow's	Parent's	Total	Mother's	Child's		
ACTUAL DATA [1]									
1950	0.70	0.11	0.11	0.01	0.93	0.06	0.18	0.04	1.20
1951	1.00	.15	.14	.01	1.30	.07	.24	.05	1.66
1952	1.11	.17	.16	.01	1.45	.08	.26	.05	1.83
LOW-COST ASSUMPTIONS									
1955	2.07	0.30	0.32	0.01	2.70	0.13	0.37	0.09	3.31
1960	2.75	.39	.59	.01	3.74	.16	.41	.10	4.41
1970	3.43	.42	1.05	.01	4.91	.16	.38	.12	5.57
1980	4.21	.44	1.27	.01	5.93	.15	.36	.13	6.57
1990	4.71	.46	1.38	.01	6.56	.14	.35	.13	7.20
2000	4.58	.44	1.33	.01	6.36	.14	.34	.14	6.99
2050	5.13	.51	1.36	.01	7.01	.14	.34	.14	7.63
Level premium: [2]									
2¼ percent interest	4.24	.45	1.15	.01	5.85	.15	.36	.13	6.49
2¾ percent interest	4.08	.44	1.11	.01	5.63	.15	.36	.13	6.27
HIGH-COST ASSUMPTIONS									
1955	2.42	0.35	0.34	0.01	3.12	0.15	0.39	0.10	3.76
1960	3.18	.44	.61	.02	4.25	.19	.43	.11	4.97
1970	3.99	.47	1.09	.02	5.57	.19	.39	.12	6.27
1980	5.06	.49	1.35	.02	6.92	.17	.35	.13	7.58
1990	6.28	.52	1.46	.02	8.28	.16	.33	.15	8.92
2000	6.69	.55	1.47	.02	8.73	.15	.30	.15	9.33
2050	8.83	.77	1.82	.02	11.44	.15	.29	.19	12.07
Level premium: [2]									
2¼ percent interest	5.97	.56	1.30	.02	7.85	.16	.34	.15	8.50
2¾ percent interest	5.58	.54	1.23	.02	7.36	.17	.35	.14	8.02
INTERMEDIATE-COST ASSUMPTIONS									
1955	2.25	0.33	0.33	0.01	2.92	0.14	0.38	0.09	3.53
1960	2.97	.41	.60	.01	3.99	.18	.42	.11	4.69
1970	3.71	.44	1.07	.02	5.24	.18	.38	.12	5.92
1980	4.63	.46	1.31	.02	0.42	.16	.35	.13	7.07
1990	5.47	.49	1.42	.02	7.39	.15	.34	.14	8.03
2000	5.58	.49	1.40	.02	7.49	.15	.32	.14	8.09
2050	6.58	.61	1.54	.01	8.75	.14	.32	.16	9.38
Level premium: [2]									
2¼ percent interest	5.04	.50	1.22	.02	6.78	.15	.35	.14	7.42
2¾ percent interest	4.78	.48	1.17	.02	6.45	.16	.36	.13	7.09

[1] Excluding effect of railroad coverage under financial interchange provisions.

[2] Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account accumulated funds through 1952 or administrative expenses (see also table 16). These level-premium rates assume benefits and payrolls remain level after the year 2050.

TABLE 15-B.—*Estimated benefit payments as percent of taxable payroll, high-employment assumptions*

Calendar year	Monthly old-age benefits					Monthly younger survivor benefits		Lump-sum death benefits	Total benefits
	Primary	Wife's	Widow's	Parent's	Total	Mother's	Child's		
ACTUAL DATA [1]									
1950	0.70	0.11	0.11	0.01	0.93	0.06	0.18	0.04	1.20
1951	1.00	.15	.14	.01	1.30	.07	.24	.05	1.66
1952	1.11	.17	.16	.01	1.45	.08	.26	.05	1.83
LOW-COST ASSUMPTIONS									
1955	1.75	0.25	0.28	0.01	2.29	0.11	0.33	0.08	2.80
1960	2.35	.31	.50	.01	3.17	.13	.36	.09	3.76
1970	3.02	.34	.89	.01	4.26	.13	.34	.11	4.85
1980	3.83	.36	1.09	.01	5.29	.13	.32	.12	5.86
1990	4.42	.38	1.17	.01	5.98	.12	.32	.13	6.54
2000	4.25	.36	1.11	.01	5.73	.12	.31	.13	6.29
2050	4.80	.41	1.11	.01	6.33	.12	.30	.14	6.88
Level premium: [2]									
2¼ percent interest	3.91	.36	.96	.01	5.24	.12	.32	.12	5.80
2¾ percent interest	3.74	.35	.93	.01	5.03	.12	.32	.12	5.59
HIGH-COST ASSUMPTIONS									
1955	2.11	0.30	0.31	0.01	2.73	0.13	0.34	0.09	3.29
1960	2.86	.37	.55	.01	3.79	.16	.38	.10	4.44
1970	3.66	.40	.96	.01	5.03	.16	.35	.12	5.66
1980	4.77	.41	1.16	.02	6.36	.15	.32	.13	6.95
1990	5.92	.43	1.22	.02	7.59	.14	.30	.14	8.18
2000	6.21	.44	1.21	.02	7.88	.13	.27	.15	8.42
2050	8.25	.62	1.46	.02	10.35	.13	.27	.19	10.93
Level premium: [2]									
2¼ percent interest	5.58	.46	1.09	.02	7.15	.14	.30	.14	7.73
2¾ percent interest	5.21	.45	1.03	.02	6.70	.14	.31	.14	7.29
INTERMEDIATE-COST ASSUMPTIONS									
1955	1.93	0.28	0.29	0.01	2.51	0.12	0.33	0.09	3.05
1960	2.61	.34	.52	.01	3.48	.15	.37	.10	4.10
1970	3.34	.37	.92	.01	4.64	.15	.35	.11	5.26
1980	4.29	.39	1.13	.01	5.82	.14	.32	.13	6.40
1990	5.15	.40	1.19	.01	6.75	.13	.31	.14	7.33
2000	5.18	.40	1.16	.01	6.75	.12	.29	.14	7.30
2050	6.16	.49	1.24	.01	7.91	.12	.29	.16	8.48
Level premium: [2]									
2¼ percent interest	4.68	.41	1.02	.01	6.12	.13	.31	13	6.69
2¾ percent interest	4.43	.40	.98	.01	5.82	.13	.32	.13	6.39

[1] Excluding effect of railroad coverage under financial interchange provisions.

[2] Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account accumulated funds through 1952 or administrative expenses (see table 16). These level-premium rates assume benefits and payrolls remain level after the year 2050.

TABLE 16.—*Estimated level-premium contribution rate in perpetuity*[1] *for benefit payments and administrative expenses, taking into account accumulated funds as of end of 1952 (percent)*

INTEREST AT 2 PERCENT

Level-premium equivalent to	Low-employment assumptions			High-employment assumptions		
	Low cost	High cost	Intermediate cost	Low cost	High cost	Intermediate cost
Benefit payments	6.60	8.78	7.60	5.91	7.98	6.86
Administrative expenses	.10	.15	.12	.09	.13	.11
Interest on 1952 fund[2]	.21	.27	.23	.17	.21	.19
Net cost[3]	6.49	8.66	7.49	5.83	7.91	6.78
Adjusted net cost[4]	6.64	8.88	7.67	5.96	8.10	6.94
Present contributions[5]	6.15	6.09	6.12	6.16	6.10	6.13

INTEREST AT 2¼ PERCENT

Level-premium equivalent to	Low cost	High cost	Intermediate cost	Low cost	High cost	Intermediate cost
Benefit payments	6.49	8.50	7.42	5.80	7.73	6.69
Administrative expenses	.09	.15	.12	.09	.13	.11
Interest on 1952 fund[2]	.24	.28	.26	.20	.23	.22
Net cost[3]	6.34	8.37	7.28	5.69	7.63	6.58
Adjusted net cost[4]	6.49	8.57	7.45	5.82	7.81	6.74
Present contributions[5]	6.10	6.04	6.07	6.10	6.05	6.08

INTEREST AT 2½ PERCENT

Level-premium equivalent to	Low cost	High cost	Intermediate cost	Low cost	High cost	Intermediate cost
Benefit payments	6.38	8.25	7.25	5.70	7.50	6.54
Administrative expenses	.09	.14	.12	.09	.13	.11
Interest on 1952 fund[2]	.27	.31	.29	.23	.26	.24
Net cost[3]	6.19	8.08	7.07	5.55	7.37	6.40
Adjusted net cost[4]	6.34	8.27	7.24	5.68	7.54	6.55
Present contributions[5]	6.04	5.99	6.02	6.06	6.00	6.03

INTEREST ON 2¾ PERCENT

Level-premium equivalent to	Low cost	High cost	Intermediate cost	Low cost	High cost	Intermediate cost
Benefit payments	6.27	8.02	7.09	5.59	7.29	6.39
Administrative expenses	.09	.14	.12	.08	.13	.10
Interest on 1952 fund[2]	.31	.35	.33	.26	.29	.27
Net cost[3]	6.05	7.81	6.88	5.42	7.12	6.22
Adjusted net cost[4]	6.20	7.99	7.04	5.55	7.29	6.37
Present contributions[5]	6.00	5.94	5.96	6.01	5.95	5.98

[1] Level-premium contribution rate (based on discounting at interest) for payments after 1952 and in perpetuity, as percent of payroll.

[2] Interest on trust fund existing at end of 1952 as earned in future years expressed as a level premium (in percent of taxable payroll).

[3] Level premium for benefit payments plus level premium for administrative expenses minus level premium equivalent to interest on accumulated fund at end of 1952.

[4] Level contribution rate for employer and employee combined required to meet the "net cost" allowing for the self-employed paying only ¾ of such rate.

[5] Level contribution rate for employer and employee combined equivalent to the graded rates specified in the law; as to both such level and graded rates the self-employed pay only ¾.

TABLE 17-A.—*Estimated progress of OASI trust fund under contribution schedule in 1952 amendments,[1] 2¼ percent interest, low-employment assumptions*

[In millions]

LOW-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$4,488	$3,798	$94	$596	$457	$21,068
1960	5,627	5,241	98	288	517	22,651
1970	8,397	7,452	116	829	727	33,432
1980	9,361	9,686	139	−464	979	44,260
1990	10,164	11,517	160	−1,513	968	43,228
2000	11,238	12,369	172	−1,303	839	37,468
2025	13,744	16,799	223	−3,278	231	8,842
2050	16,728	20,096	269	−3,637	(3)	(3)

HIGH-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$4,436	$4,267	$106	$63	$444	$20,189
1960	5,563	5,835	125	−397	431	19,397
1970	8,324	8,310	158	−144	416	18,847
1980	9,128	10,903	193	−1,968	298	12,557
1990	9,519	13,373	227	−4,081	(4)	(4)

INTERMEDIATE-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$4,462	$4,032	$100	$330	$450	$20,628
1960	5,595	5,537	112	−55	474	21,524
1970	8,361	7,881	137	343	572	26,140
1980	9,250	10,294	166	−1,210	638	28,408
1990	9,842	12,443	194	−2,796	298	12,124
2000	10,600	13,530	209	−3,139	(5)	(5)

[1] Combined rate of 3 percent in 1953, 4 percent in 1954–59, 5 percent in 1960–64, 6 percent in 1965–69, and 6½ percent thereafter. In each instance, fund at end of 1952 is taken to be the actual figure of $18,192 million (including an estimated $750 million "owed" by railroad retirement account).

[2] Interest taken at 2¼ percent on fund at end of previous year plus ½ of the net income of the current year.

[3] Fund exhausted in 2028.

[4] Fund exhausted in 1986.

[5] Fund exhausted in 1995.

TABLE 17-B.—*Estimated progress of OASI trust fund under contribution schedule in 1952 amendments,*[1] *2¼ percent interest, high-employment assumptions*

[In millions]

LOW-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$5,215	$3,761	$95	$1,389	$496	$23,215
1960	6,646	5,267	101	1,278	657	30,482
1970	9,985	7,723	125	2,137	1,186	51,982
1980	11,176	10,321	151	701	1,868	85,203
1990	12,221	12,581	175	−535	2,345	106,282
2000	13,501	13,455	191	−55	2,830	128,585
2025	16,646	18,381	248	−1,983	4,700	212,594
2050	20,259	21,951	298	−1,990	6,952	311,928
HIGH-COST ASSUMPTIONS						
1955	$5,213	$4,390	$113	$710	$479	$22,106
1960	6,578	6,166	131	278	540	21,673
1970	9,878	8,913	170	795	741	31,084
1980	10,874	11,909	208	−1,243	915	40,941
1990	11,435	14,725	246	−3,536	557	23,547
2000	12,191	16,169	268	−4,246	[3]	[3]
INTERMEDIATE-COST ASSUMPTIONS						
1955	$5,229	$4,075	$104	$1,049	$488	$22,660
1960	6,612	5,716	118	778	598	27,578
1970	9,932	8,318	148	1,466	964	44,533
1980	11,025	11,116	180	−269	1,392	63,102
1990	11,830	13,656	210	−2,035	1,451	64,914
2000	12,891	14,812	230	−2,151	1,265	56,412
2025	14,674	20,433	294	−6,053	[4]	[4]

[1] Combined rate of 3 percent in 1953, 4 percent in 1954-59, 5 percent in 1960-64, 6 percent in 1965-69, and 6½ percent thereafter. In each instance, fund at end of 1952 is taken to be the actual figure of $18,192 million (including an estimated $750 million "owed" by railroad retirement account).

[2] Interest taken at 2¼ percent on fund at end of previous year plus ½ of the net income of the current year.

[3] Fund exhausted in 1997.

[4] Fund exhausted in 2023.

TABLE 17-C.—*Estimated progress of OASI trust fund under contribution schedule in 1952 amendments,[1] 2¼ percent interest, low-employment assumptions*

[In millions]

LOW-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$4,488	$3,798	$94	$596	$564	$21,364
1960	5,627	5,241	98	288	654	24,576
1970	8,397	7,452	116	829	957	36,189
1980	9,361	9,686	139	−464	1,347	50,092
1990	10,164	11,517	160	−1,513	1,449	53,376
2000	11,238	12,369	172	−1,303	1,437	53,040
2025	13,744	16,799	223	−3,278	1,249	45,015
2050	16,725	20,096	269	−3,637	[3]	[3]

HIGH-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$4,436	$4,267	$106	$63	$547	$20,480
1960	5,563	5,835	125	−397	547	20,252
1970	8,324	8,310	158	−144	565	21,023
1980	9,138	10,903	193	−1,958	465	16,395
1990	9,519	13,373	227	−4,081	[4]	[4]

INTERMEDIATE-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$4,462	$4,032	$100	$330	$555	$20,922
1960	5,595	5,537	112	−55	601	22,414
1970	8,361	7,881	137	343	761	28,606
1980	9,250	10,294	166	−1,210	905	33,243
1990	9,842	12,443	194	−2,796	564	19,710
2000	10,660	13,588	209	−3,139	[5]	[5]

[1] Combined rate of 3 percent in 1953, 4 percent in 1954-59, 5 percent in 1960-64, 6 percent in 1965-69, and 6½ percent thereafter. In each instance, fund at end of 1952 is taken to be the actual figure of $18,192,000,000 (including an estimated $750,000,000 "owed" by railroad retirement account).
[2] Interest taken at 2¼ percent interest on fund at end of previous year plus ½ of the net income of the current year.
[3] Fund exhausted in 2044.
[4] Fund exhausted in 1987.
[5] Fund exhausted in 1998.

TABLE 17-D.—*Estimated progress of OASI trust fund under contribution schedule in 1952 amendments,[1] 2¼ percent interest, high-employment assumptions*

[In millions]

LOW-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$5,245	$3,761	$95	$1,389	$611	$23,826
1960	6,646	5,267	101	1,278	827	31,838
1970	9,985	7,723	125	2,137	1,541	58,657
1980	11,176	10,321	151	704	2,807	94,017
1990	12,224	12,584	175	−535	3,303	123,136
2000	13,591	13,455	191	−55	4,208	157,198
2025	16,646	18,381	248	−1,983	8,007	298,169
2050	20,259	21,951	298	−1,990	14,151	527,746

HIGH-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$5,213	$4,390	$113	$710	$590	$22,412
1960	6,578	6,166	134	278	692	25,638
1970	9,878	8,913	170	795	978	36,940
1980	10,874	11,909	208	−1,243	1,271	46,875
1990	11,435	14,725	246	−3,536	938	33,264
2000	12,191	16,169	268	−4,246	(3)	(3)

INTERMEDIATE-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$5,229	$4,075	$104	$1,049	$601	$22,969
1960	6,612	5,716	118	778	754	28,588
1970	9,932	8,318	148	1,466	1,259	47,798
1980	11,025	11,116	180	−269	1,899	70,446
1990	11,830	13,656	210	−2,035	2,120	78,210
2000	12,891	14,812	230	−2,151	2,097	77,274
2025	14,674	20,433	291	−6,053	934	31,826
2050	16,711	22,302	321	−5,912	(4)	(4)

[1] Combined rate of 3 percent in 1953, 4 percent in 1954–59, 5 percent in 1960–64, 6 percent in 1965–69, and 6½ percent thereafter. In each instance, fund at end of 1952 is taken to be the actual figure of $18,192 million (including an estimated $750 million "owed" by railroad retirement account).

[2] Interest taken at 2¼ percent on fund at end of previous year plus ½ of the net income of the current year.

[3] Fund exhausted in 2000.

[4] Fund exhausted in 2031.

TABLE 18-A.—*Estimated progress of OASI trust fund under 3-percent level contribution rate, 1952 until exhaustion of fund,[1] 2¼ percent interest*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS						
1955	$3,366	$3,798	$94	−$526	$423	$18,953
1960	3,481	5,241	98	−1,858	334	14,237
1965	3,671	6,451	105	−2,885	95	2,874
1970	3,921	7,452	116	−3,647	(3)	(3)
LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS						
1955	$3,327	$4,267	$106	−$1,046	$410	$18,098
1960	3,441	5,835	125	−2,519	250	10,089
1965	3,633	7,152	142	−3,661	(4)	(4)
LOW-EMPLOYMENT, INTERMEDIATE-COST ASSUMPTIONS						
1955	$3,347	$4,032	$100	−$785	$416	$18,826
1960	3,460	5,537	112	−2,189	292	12,163
1965	3,653	6,802	124	−3,273	(5)	(5)
HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS						
1955	$3,934	$3,761	$95	$78	$456	$20,744
1960	4,111	5,267	101	−1,257	441	19,423
1965	4,368	6,551	113	−2,296	285	11,813
1970	4,663	7,723	125	−3,185	(6)	(6)
HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS						
1955	$3,910	$4,390	$113	−$593	$439	$19,653
1960	4,069	6,166	134	−2,231	326	13,707
1965	4,314	7,655	153	−3,494	(7)	(7)
HIGH-EMPLOYMENT, INTERMEDIATE-COST ASSUMPTIONS						
1955	$3,921	$4,075	$104	−$258	$448	$20,198
1960	4,090	5,716	118	−1,744	384	16,565
1965	4,340	7,102	133	−2,895	157	5,082
1970	4,638	8,318	148	−3,828	(8)	(8)

[1] In each instance, fund at end of 1952 is taken to be the actual figure of $18,192 million (including an estimated $750 million "owed" by railroad retirement account).
[2] Interest taken at 2¼ percent on fund at end of previous year plus ½ of the net income of the current year.
[3] Fund exhausted in 1966.
[4] Fund exhausted in 1964.
[5] Fund exhausted in 1965.
[6] Fund exhausted in 1970.
[7] Fund exhausted in 1965.
[8] Fund exhausted in 1967.

TABLE 18-B.—*Estimated progress of OASI trust fund under 3 percent level contribution rate, 1952 until exhaustion of fund,[1] 2¼ percent interest*

[In millions]

LOW-EMPLOYMENT, LOW-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$3,306	$3,798	$94	−$586	$522	$19,209
1960	3,481	5,241	98	−1,858	427	15,014
1965	3,671	6,451	105	−2,885	146	4,006
1970	3,921	7,452	116	−3,647	(3)	(3)

LOW-EMPLOYMENT, HIGH-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$3,327	$4,267	$106	−$1,046	$506	$18,380
1960	3,441	5,835	125	−2,519	323	10,800
1965	3,633	7,152	142	−3,661	(4)	(4)

LOW-EMPLOYMENT, INTERMEDIATE-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$3,347	$4,032	$100	−$785	$514	$18,810
1960	3,460	5,537	112	−2,189	376	12,907
1965	3,653	6,802	124	−3,273	(5)	(5)

HIGH-EMPLOYMENT, LOW-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$3,934	$3,761	$95	$78	$562	$21,044
1960	4,111	5,267	101	−1,257	560	20,305
1965	4,368	6,551	113	−2,296	385	13,245
1970	4,663	7,723	125	−3,185	44	68
1975	4,933	8,971	138	−4,176	(6)	(6)

HIGH-EMPLOYMENT, HIGH-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$3,910	$4,390	$113	−$593	$542	$19,949
1960	4,069	6,166	134	−2,231	418	14,502
1965	4,314	7,655	153	−3,494	65	677
1970	4,613	8,913	170	−4,470	(7)	(7)

HIGH-EMPLOYMENT, INTERMEDIATE-COST ASSUMPTIONS

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$3,921	$4,075	$104	−$258	$552	$20,498
1960	4,090	5,716	118	−1,744	490	17,404
1965	4,340	7,102	133	−2,895	225	6,961
1970	4,638	8,318	148	−3,828	(8)	(8)

[1] In each instance, fund at end of 1952 is taken to be the actual figure of $18,192 million (including an estimated $750 million "owed" by railroad retirement account).
[2] Interest taken at 2¼ percent on fund at end of previous year plus ½ of the net income of the current year.
[3] Fund exhausted in 1967.
[4] Fund exhausted in 1964.
[5] Fund exhausted in 1965.
[6] Fund exhausted in 1971.
[7] Fund exhausted in 1966.
[8] Fund exhausted in 1968.

TABLE 19-A.—*Estimated progress of OASI trust fund under a level theoretical contribution rate,[1] 2¼ percent interest, low-employment assumptions*

LOW-COST ASSUMPTIONS, CONTRIBUTION RATE OF 6.49 PERCENT

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$7,282	$3,798	$91	$3,393	$646	$31,031
1960	7,530	5,241	98	2,191	1,051	48,864
1970	8,483	7,452	116	915	1,687	77,037
1980	9,317	9,686	109	−478	2,171	98,575
2000	11,221	12,369	172	−1,320	2,695	121,820
2050	16,702	20,096	269	−3,663	3,663	161,587

HIGH-COST ASSUMPTIONS, CONTRIBUTION RATE OF 8.57 PERCENT

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$9,498	$4,267	$106	$5,125	$761	$37,133
1960	9,821	5,837	123	3,861	1,380	61,666
1970	11,098	8,310	158	2,630	2,518	115,757
1980	12,041	10,933	193	915	3,623	165,122
2000	13,285	14,841	216	−1,772	5,273	208,738
2050	14,308	20,642	317	−6,651	6,651	208,955

INTERMEDIATE-COST ASSUMPTIONS, CONTRIBUTION RATE OF 7.45 PERCENT

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$8,309	$4,032	$100	$4,177	$828	$33,830
1960	8,562	5,537	112	2,913	1,201	56,042
1970	9,694	7,881	137	1,676	2,061	91,477
1980	10,599	10,294	166	139	2,823	128,355
2000	12,215	13,568	229	−1,582	3,827	173,104
2050	15,806	20,368	293	−4,855	4,855	218,205

[1] The level-premium contribution rate as percent of payroll such that the system will be in balance under the particular assumptions.

[2] Interest taken at 2¼ percent on fund at end of previous year plus ½ of the net income of the current year.

TABLE 19-B.—*Estimated progress of OASI trust fund under a level theoretical contribution rate,[1] 2¼ percent interest, high-employment assumptions*

[In millions]

LOW-COST ASSUMPTIONS, CONTRIBUTION RATE OF 5.82 PERCENT

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$7,635	$3,761	$95	$3,779	$666	$32,147
1960	7,979	5,267	101	2,611	1,121	52,266
1970	9,051	7,723	125	1,203	1,871	85,629
1980	10,012	10,321	151	−460	2,449	111,069
2000	12,176	13,455	191	−1,470	3,024	130,686
2050	18,149	21,951	298	−4,100	4,100	184,261

HIGH-COST ASSUMPTIONS, CONTRIBUTION RATE OF 7.81 PERCENT

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$10,178	$4,390	$113	$5,675	$794	$38,916
1960	10,592	6,166	134	4,292	1,475	69,184
1970	12,009	8,913	170	2,926	2,725	125,302
1980	13,065	11,909	208	948	3,930	178,621
2000	14,647	16,169	268	−1,790	5,681	257,266
2050	15,815	22,654	344	−7,183	7,183	322,846

INTERMEDIATE-COST ASSUMPTIONS, CONTRIBUTION RATE OF 6.74 PERCENT

Calendar year	Contributions	Benefit payments	Administrative expenses	Net income	Interest on fund [2]	Fund at end of year
1955	$8,811	$4,075	$104	$4,632	$725	$35,244
1960	9,188	5,716	118	3,354	1,281	59,897
1970	10,430	8,318	148	1,954	2,251	103,296
1980	11,432	11,116	180	136	3,098	140,872
2000	13,367	14,812	230	−1,675	4,173	188,800
2050	17,328	22,302	321	−5,295	5,295	237,959

[1] The level-premium contribution rate as percent of payroll such that the system will be in balance under the particular assumptions.
[2] Interest taken at 2¼ percent on fund at end of previous year plus ½ of the net income of the current year.

TABLE 20.—*Comparison of trust fund with present value of benefits in current payment status, 2¼ percent interest*

[In billions]

Calendar year	Trust fund at end of year [1]			Present value of benefits in current payment status at end of year [1]		
	Low cost	High cost	Intermediate cost	Low cost	High cost	Intermediate cost
1953	$19	$19	$19	$23	$23	$23
1955	23	22	23	29	34	31
1960	30	26	28	41	48	45
1970	55	34	45	61	71	66
1980	85	41	63	83	96	89
1990	106	24	65	101	119	110
2000	129	[2]	56	106	130	119
2025	213	....	[3]	148	182	165
2050	315	....	....	176	183	180

[1] Based on high-employment assumptions.
[2] Fund exhausted in 1997.
[3] Fund exhausted in 2023.

TABLE 21-A.—*Estimated accrued liability of OASI as of Jan. 1, 1953, 2¼-percent interest*

Item	Assumption		
	Low cost	High cost	Intermediate cost
PRESENT VALUE OF BENEFITS AND EXPENSES (IN BILLIONS)			
All persons	$535	$612	$573
Those now age 20 and over	281	332	306
New entrants	254	280	267
PRESENT VALUE OF PAYROLLS (IN BILLIONS)			
All persons	$9,077	$7,782	$8,430
Those now age 20 and over	2,423	2,371	2,397
New entrants	6,654	5,412	6,033
Equivalent level payroll	204	175	190
ACCRUED LIABILITY (IN BILLIONS)			
Total	$189	$209	$200
Unfunded	170	191	182
Funded (trust fund)	18	18	18
LEVEL-PREMIUM COST AS PERCENT OF PAYROLL			
Normal (new entrant) cost	3.81	5.18	4.42
Interest on:			
Unfunded accrued liability	1.88	2.45	2.16
Funded accrued liability	.20	.23	.22
Total cost	5.89	7.86	6.80
Net cost (less interest on fund)	5.69	7.63	6.58

TABLE 21-B.—*Estimated accrued liability of OASI as of Jan. 1, 1953, 2¼ percent interest*

PRESENT VALUE OF BENEFITS AND EXPENSES (IN BILLIONS)

Item	Assumption		
	Low cost	High cost	Intermediate cost
All persons	$400	$462	$431
Those now age 20 and over	244	288	266
New entrants	156	174	165

PRESENT VALUE OF PAYROLLS (IN BILLIONS)

Item	Low cost	High cost	Intermediate cost
All persons	$7,044	$6,236	$6,635
Those now age 20 and over	2,267	2,230	2,243
New entrants	4,778	4,007	4,392
Equivalent level of payroll	194	171	182

ACCRUED LIABILITY (IN BILLIONS)

Item	Low cost	High cost	Intermediate cost
Total	$170	$191	$182
Unfunded	152	173	163
Funded (trust fund)	18	18	18

LEVEL-PREMIUM COST AS PERCENT OF PAYROLL

Item	Low cost	High cost	Intermediate cost
Normal (new entrant) cost	3.27	4.34	3.76
Interest on:			
Unfunded accrued liability	2.16	2.78	2.46
Funded accrued liability	.26	.29	.27
Total cost	5.68	7.42	6.49
Net cost (less interest on fund)	5.42	7.12	6.22

TABLE 22.—*Estimated cost of benefit payments as percent of payroll in selected years and on level-premium basis, previous estimate [1] and this estimate*

[In percent]

COST IN YEAR

Calendar year	Low-cost estimate		High-cost estimate		Intermediate-cost estimate	
	Previous estimate	This estimate	Previous estimate	This estimate	Previous estimate	This estimate
1960	2.87	3.76	3.74	4.44	3.31	4.10
1970	4.03	4.85	5.33	5.66	4.68	5.26
1980	4.93	5.86	7.08	6.93	5.99	6.40
1990	5.68	6.54	8.94	8.18	7.26	7.33
2000	5.77	6.29	10.08	8.42	7.79	7.30
2050	5.77	6.88	10.08	10.93	7.79	8.48
LEVEL-PREMIUM COST [2]						
Basis A	[3] 4.63	5.39	[3] 7.31	6.83	[3] 5.93	6.09
Basis B	(4)	5.69	(4)	7.43	(4)	6.58

[1] Source: "Actuarial Cost Estimates for the Old-Age and Survivors Insurance System as Modified by the Social Security Act Amendments of 1952," prepared for the use of the Committee on Ways and Means by Robert J. Myers, actuary to the committee, dated July 21, 1952.

[2] Level-premium contribution rate (based on 2¼-percent interest) for benefit payments after 1952 taking into account the accumulated funds at the beginning of the period and future administrative expenses. Under basis A it is assumed that after the year 2000, benefit payments and taxable payroll are level, while under basis B this is not assumed to occur until after the year 2050.

[3] These figures are slightly higher than those previously presented which were on the basis of benefit payments after 1950 instead of 1952 as here (e. g., the intermediate-cost figures on the 1950 basis was 5.85 percent).

[4] Not available since under this estimate, benefit payments and taxable payroll were assumed to be leve after the year 2000.

NOTE.—The figures in this table are based on the cost estimates involving high-employment assumptions.

TABLE 23.—*Comparison of estimates of long-range costs as percent of payroll for various acts and amendments*

Act	Actuarial study No.	Employment assumption	Benefit cost in year 1955	1960	1970	1980	2000	2050
			Low-cost assumptions					
1935	12	(1)	2.81	4.18	6.38	9.35		
1939	14	(1)	4.46	[3] 5.36	[3] 6.33	[3] 7.22		
1939	17	(1)	[2] 2.58	3.35	4.71	6.13	7.55	
1939	19	(1)	2.51	3.45	5.19	7.29	8.98	
1939	23	Low	2.54	3.20	4.14	5.13	5.87	
1939	23	High	1.36	1.81	2.63	3.41	4.28	
1950	(2)	(1)	2.21	2.83	4.00	4.93	5.80	
1952	(2)	(1)	2.14	2.87	4.03	4.93	5.77	
1952	36	Low	3.31	4.41	5.57	6.57	6.99	7.63
1952	36	High	2.80	3.76	4.85	5.86	6.29	6.88
			High-cost assumptions					
1935	12	(1)	3.46	5.13	8.41	13.30		
1939	14	(1)	5.43	[3] 6.72	[3] 8.54	[3] 10.60		
1939	17	(1)	[2] 3.70	4.75	6.77	9.55	12.06	
1939	19	(1)	2.14	3.00	4.68	6.94	10.64	
1939	23	Low	3.12	3.85	5.35	7.37	10.76	
1939	23	High	1.95	2.55	3.77	5.32	8.31	
1950	(2)	(1)	2.69	3.74	5.34	7.14	10.20	
1952	(2)	(1)	2.45	3.74	5.33	7.08	10.08	
1952	36	Low	3.76	4.97	6.27	7.58	9.33	12.07
1952	36	High	3.29	4.44	5.66	6.93	8.42	10.93

[1] Only 1 employment assumption was made.

[2] Not shown in actuarial study; taken from worksheets.

[3] Prepared at time of enactment.

Secretary HOBBY. The Committee on Ways and Means believed that it was wise, in addition to raising the scheduled rates for employers and employees to 3½ percent each in 1970, as in the original recommendations, to further raise such rates in 1975 and thereafter to 4 percent, with corresponding changes for the self-employed. Using the intermediate-cost estimates, and taking into account that rounded tax rates are used in practice, an approximate actuarial balance will result. The committee stated in its report:

While we recognize that future cost estimates, particularly if earnings continue to rise, may indicate that a lower schedule of contribution rates will provide for a self-supporting system, we believe that our policy should be one of utmost prudence in this area.

We agree that the utmost care should be exercised to keep the system in actuarial balance. It is a matter of judgment, of course, as to whether on the basis of the new actuarial estimates, action should be taken now to raise the 1975 rates. We believe on balance, however, the action taken by the House is justifiable.

Senator LONG. You do propose this program be actuarially sound.

Can you give me some idea of what the extent of the trust fund will have to be 30 or 40 years from now to make the program actuarially sound?

Secretary HOBBY. Senator, would you be kind enough to defer that question until we come into the charts?

Mr. CHRISTGAU. Referring to "Improved retirement test," which is No. 5 in the Secretary's recommendations, here are the present retirement test problems.

(A chart was shown entitled, "Present Retirement Test.")

OASI

PRESENT RETIREMENT TEST

PROBLEMS

1. UNEQUAL TREATMENT OF WAGE EARNERS AND SELF-EMPLOYED
2. DUAL EXEMPTION FOR PERSONS WITH BOTH WAGES AND SELF-EMPLOYMENT
3. NON-COVERED EARNINGS ESCAPE TEST
4. DETERRENT FOR SOME BENEFICIARIES TO TAKE TEMPORARY OR PART-TIME WORK

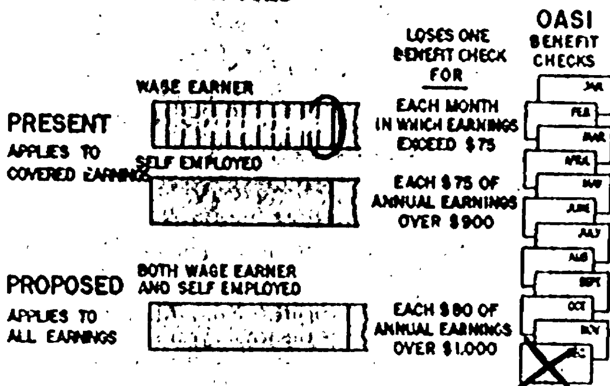
Mr. CHRISTGAU. No. 1 is unequal treatment of wage earners and self-employed. They are treated differently.

No. 2 is dual exemption for persons with both wages and self-employment.

No. 3 is noncovered earnings escape test.

No. 4 is deterrent for some beneficiaries to take temporary or part-time work.

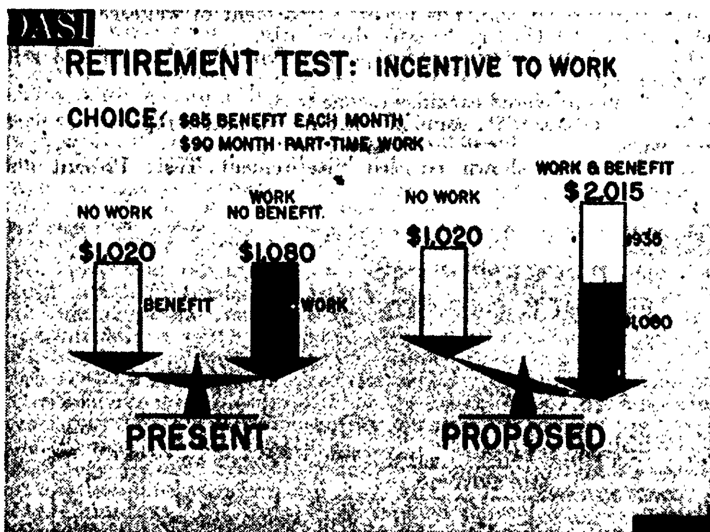
(A chart was shown entitled "Retirement Test: Present and Proposed.")



Mr. CHRISTGAU. Here is the present test as it applies to covered earnings of the wage earner and the self-employed, showing the difference in treatment. You know $75 a month is exempt and he can earn $75 in every month but here it is illustrated that in a given month if he earns more than $75, he loses 1 month of benefits. He loses one benefit check for each month in which he exceeds $75.

In the case of the self-employed, the test rather than being on a monthly basis, is on a yearly basis and for each $75 of annual earnings over $900, he loses 1 check. Now, the proposal is to combine the tests for both the wage earner and the self-employed, and liberalize it by making the exempt amount $1,000 a year, as you notice. The test would apply to all earnings. As a matter of fact, it will almost automatically apply anyway as we are approaching universal coverage. There wouldn't be much opportunity to earn, anyhow, outside of coverage.

(A chart was shown entitled, "Retirement Test: Incentive To Go to Work.")



Senator BENNETT. May I interrupt just a minute, Mr. Chairman. Under the present system a wage earner who earned $500 a month, can only lose 1 month's benefits. Let us say he would earn $1,000 a month and only lose 1 month's benefits. Now, if he earns more than $1,000—if he earns $2,000 he loses the whole year's benefits.

Mr. BALL. No, sir; that provision is retained so that if he were to earn all of that in 1 month he would lose benefits for only 1 month.

Senator BENNETT. But that isn't true for the self-employed.

Mr. BALL. The comparable situation for the self-employed is that in order to lose the benefit for a given month they have to actually work at their business in that month.

Senator BENNETT. I am a real-estate man. I am over 65 and have retired but along comes a juicy contract. I make the deal, and I make $2,000 commission on the 1 deal in the month of January. Now, what happens to me for the rest of the year?

Mr. BALL. You get benefits for the rest of the year and lose it for that 1 month.

Senator BENNETT. I thought for every $80 of earnings in excess of the thousand dollars he lost a month's benefits.

Mr. BALL. That is correct, except you have to add an additional point there and that is that in any event he would not lose a benefit for any month, unless he actually was paid at least $80 in wages or rendered substantial services in self-employment.

Senator BENNETT. For that 1 month. So you don't accumulate this and move it from month to month.

Mr. BALL. You apply the test as Mr. Christgau has explained it, and then you have a proviso that you don't deduct benefits for any month unless he earned wages of over $80 or rendered substantial services in self-employment, in that 1 month. Otherwise the

proposal would have been a substantial deliberalization for some people as you suggest.

Mr. CHRISTGAU. This merely indicates what the Secretary discussed a moment ago. The person earns $80 a month. He would get $1,020 a year in benefits. If he makes $90 a month he earns $1,080. There isn't much incentive to go to work for just $60 a year.

The scales in the chart are pretty well balanced, at present.

Under the proposed annual test, he could work for $90 a month part time for the whole year and he would lose only one benefit check, because he is $80 over the annual exempt amount. So his total income would be $2,015. Of course, the provision that Mr. Ball referred to was that in any month that he didn't perform services in self-employment or had earnings of less than $80 as an employee, he would get benefits during that month.

I might say in connection with the discussion that in part, the philosophy is that as workers reach the retirement age they gradually taper off in the amount of work they do. That isn't true of Members of Congress but it is true of a lot of people.

Senator BUTLER. You are very kind.

Mr. CHRISTGAU. The theory is that if the worker has the incentive and the ability to find a job he won't wish to retire. This applies to those individuals who are compelled by a lack of opportunities for work, or inability to work, to gradually taper off in the amount of work they do. So you see it fits into that philosophy. If you go the other way and pay benefits also to everyone who is working full time, your system carries a much greater burden for people who do not need the benefits as much as many others do.

Senator BENNETT. Just make this one observation: It seems to me that when this system started back in 1934 the total amount a man could earn without robbing himself of his benefits was $15.

Mr. BALL. That was put in in 1939, the $15.

Senator BENNETT. $15 a month. So we have certainly become more liberal than that.

Senator SMATHERS. What is to keep a lawyer, we'll say, who may be 75 or 80 years old from arranging it so that he collects all his fees in possibly 1 or 2 months during the year? He doesn't do too much work but he works it out so that in January and February he collects everything.

Secretary HOBBY. At 75, he gets it whether he is working or not.

Senator SMATHERS. Let's say he is 70, then what would happen? Do you have to examine it and see whether or not his work is regular through each month?

Mr. BALL. The test is whether he renders substantial services in that month. Not when he gets the fees but when he works.

Senator WILLIAMS. In the case that Senator Carlson pointed out, where this real-estate dealer earned $2,000 in 1 month and is 65 years old, he only loses payment that 1 month. In succeeding months he could earn up to $90 a month, for 11 months—or is it $80?

Secretary HOBBY. $80.

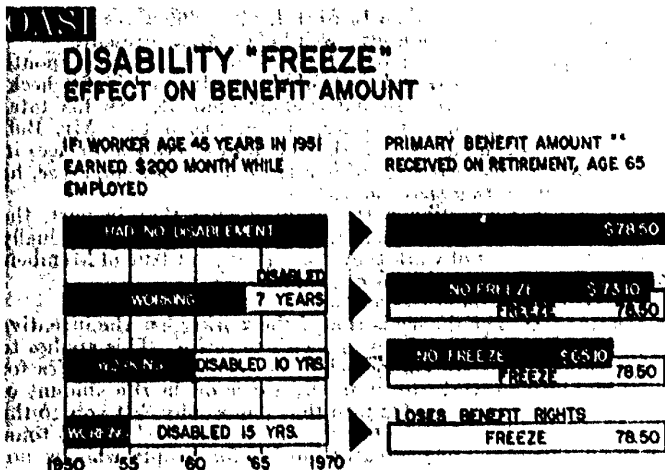
Senator WILLIAMS. He could earn $79 a month but if he makes $80 and 1 cent, he loses the whole $80.

Secretary HOBBY. That is right, he loses his benefit for that month.

Senator WILLIAMS. It makes it easier sometimes to hire them cheap than it does at a little more money.

Mr. CHRISTGAU. We are now on the sixth recommendation of the Secretary: Preserve benefit rights for the disabled.

(A chart was shown entitled, "Disability 'Freeze' Effect on Benefit Amount.")



Mr. CHRISTGAU. This shows that the man earned $200 a month while employed after 1950 when he was 45 years of age. If he had no disablement and worked right on through, his benefit amount at 65 would be $78.50. We will assume another worker with the same earnings had 7 years of disablement during that period from 1950 to 1970. Without this disability freeze, his benefit would be decreased to $73.10. With the freeze, he would get the maximum, $78.50.

The next illustration is a worker disabled 10 years during the period 1950–70. In that particular case his benefit would decrease to $65.10. With the freeze, it would be $78.50.

The individual who had a work record from 1950 to 1955 and was disabled for 15 years, he still would get his benefits under the proposal, but without the freeze he would lose all benefit rights.

Senator BENNETT. Mr. Christgau, does the freeze also act to relieve him of the responsibility of being covered for at least half of the period? Isn't that provision in the law that in order to be covered he must be covered for at least half of his working period?

Mr. CHRISTGAU. Yes.

Mr. BALL. He isn't covered half the time.

Mr. CHRISTGAU. He is not.

Secretary HOBBY. That is why he loses it.

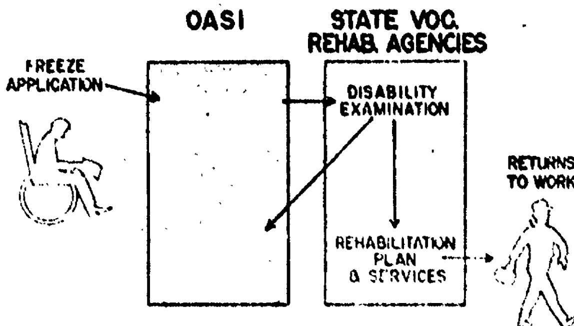
Senator BENNETT. The freeze also acts to wipe out that one as well as others.

Mr. ROCKEFELLER. Yes.

Senator SMATHERS. I don't know what you mean by "freeze." I got here late.

Mr. CHRISTGAU. I will explain it in connection with this chart.

(A chart was shown entitled, "Disability 'Freeze' and Vocational Rehabilitation.")



Mr. CHRISTGAU. In this case of a freeze, an individual who is disabled could call at one of the 512 OASI offices throughout the country and report his disability. He would then be referred by OASI to one of the State vocational rehabilitation agencies and they would arrange for him to be examined by one of the local doctors to determine the extent of his disability. At the same time they would work out with medical organizations and local doctors and medical facilities which are now well established under the State programs, a plan for rehabilitating that worker. At the same time a report would be sent to OASI and a record would be made that he is now disabled and his wage record would be frozen.

Then, after he had completed his course of rehabilitation and went back to work, that would be reported to OASI and a record would be made of the period during which he was out of the labor market and that period in effect then would be frozen.

Now, this has the additional effect that a great many workers in this process who are disabled would be discovered through this program of freezing their wage records and many of them who are not now returned to full-time work would be brought back into earning capacity through the services of the expanded program of vocational rehabilitation.

Senator BENNETT. Again, Mr. Christgau, suppose this man decided that he didn't want to go back to work, that he enjoyed his disability? What could you do to him?

Mr. CHRISTGAU. The program calls for periodic examinations and if it is found that he no longer suffers the disability then the freeze, of course, would be off.

Mr. ROCKEFELLER. The freeze is only for disability.

Senator BENNETT. It has to be total disability?

Mr. ROCKEFELLER. Yes. If he is able to work and doesn't, that doesn't count.

Senator BENNETT. Does it mean to work at his old job or one of comparable——

Secretary HOBBY. I think one that he might be retrained for at the vocational rehabilitation centers. Not necessarily his old job.

Senator BENNETT. There is no requirement for "approximate skill"?

Secretary HOBBY. No, sir.

Senator BENNETT. To exaggerate it, a man earning $500 a month can be retrained to do a job for $100 a month. The freeze ends and he must go back at $100 a month?

Secretary HOBBY. Yes, sir.

Senator FREAR. How does that effect his pension or benefits? Supposing he had 5 years of the maximum, $3,600 and was out several years with complete disability but they could return him to a $100 a month job or something much less than what he was getting—when he became 65, what would be his pension rights?

Secretary HOBBY. He would have a 4 or 5 year dropout which would bring his earning record up. In computing his benefits, he would have the dropout, take his earnings when they were higher, take the freeze into account and then the earnings from the lower job for which he was retrained would count.

Senator FREAR. And his freeze wages would be the same as those he was receiving at the time of the freeze, so that if he had 5 years of the maximum, he had 5 years of disability and he had 5 years at one-half of the $3,600, we will say, and then he reached 65, the age of retirement, and what would be his benefits?

Senator BENNETT. May I ask the question in another way?

Senator FREAR. Yes.

Senator BENNETT. Do you automatically drop out the freeze period?

Mr. BALL. Yes.

Senator BENNETT. That is automatically out.

Senator FREAR. He could get maximum wages because you could eliminate 5 of his lowest years. He would have his first 5 years.

Then I didn't get any question answered. I will have to extend it 5 more years. I want to know what would happen to where you had to make some adjustment.

Senator SMATHERS. You would average that.

Senator BENNETT. And it would be adjusted.

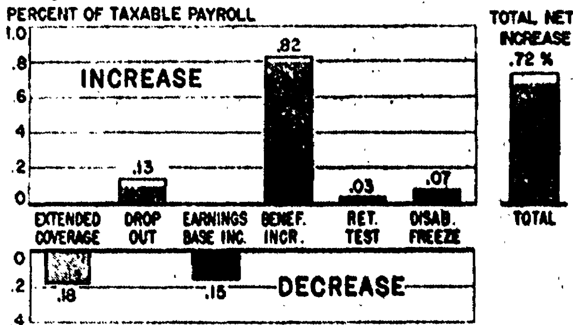
But you do drop out the period when he is frozen.

Secretary HOBBY. Yes, sir; that is actually what it means. You disregard those months, in computing his average monthly wage.

Senator BENNETT. Both for computing his payment and for computing his benefits?

Secretary HOBBY. Yes, sir; both for determining his insured status and for computing his benefits.

(A chart was shown entitled "Six Proposals.")



Mr. CHRISTGAU. That covers a subject the Secretary just completed discussing: What is the cost of the recommendations, the six proposals.

Costs are best measured by level premium rate as a percentage of payroll. Over the long run, that is a long-range average cost. A long-range average cost is approximately what the contribution rates will meet that are called for in the program.

No. 1, the extended coverage of 10.5 million persons. That extended coverage would decrease the cost 0.18 percent of taxable payroll. I think it was explained by Mr. Ball a while ago, the reason for this is that as you extend coverage you reduce the number of individuals, beneficiaries, who were in and out of employment and, therefore, had low average monthly wages and, therefore, got the advantage of a level at which the benefit formula is heavily weighted. And, as their wages increase, their contributions increase, also, but not in the same proportion. So by eliminating the larger number of people who hadn't fully contributed to the system, you will get this result of 0.18 percent of payroll decrease.

Now, the dropout is No. 2. That increases the cost by 0.13 of taxable payroll.

The increase of the earnings base to $4,200 results in a decrease of 0.15 percent of payroll. In other words, you are expanding the base upon which income comes in.

Senator BYRD. Could you give us the same figures in dollars?

Senator BENNETT. They are actually cents per $100—per dollar of payroll. For every dollar of payroll, there is 0.18 cent.

Mr. BALL. Senator, those are figures in perpetuity. That is figured over the lifetime of the system. A dollar figure wouldn't be meaningful there.

Senator BENNETT. What would it be in the first three, do you have that?

Mr. BALL. We can give you year-by-year figures on that. They are in Mr. Myers' Actuarial Study No. 36. We can look it up and give you illustrative years, or have the whole study submitted for the record.

Senator WILLIAMS. Did you correct in this bill anywhere the cases where you had workers getting dual credits under this retirement fund, as well as the civil service retirement fund? I know we had some correspondence with the Bureau a year ago. They can accumulate dual credits under both retirement systems at the same time and the Comptroller General says you can only pay to one fund, but you draw benefits from both. Am I correct in that?

Mr. BALL. The Secretary wrote a letter calling that situation to the attention of the Committee on Retirement Policy. That is the Kaplan Committee which studied the relationship between old-age and survivors insurance and the civil-service retirement.

The Kaplan committee's recommendation would correct the situation that I believe you have in mind. The situation is that an individual might be eligible for civil-service retirement benefits and then come back into the Federal Government as a temporary indefinite employee. Then he would be covered on old-age and survivors insurance for this latter period of employment and might get old-age and survivors insurance benefits based on that work.

Senator WILLIAMS. Under the ruling that was passed down they can count this period of time during which they were under old-age and survivors insurance.

They can count that in and do get dual benefits by paying into one.

Mr. BALL. In the case of persons who first work in Federal employment covered by old-age and survivors insurance and later become permanent civil-service employees, that is correct.

Senator WILLIAMS. It has been pointed out where it is being done. Would you have any objections to amending this bill to correct that loophole because we don't know what the Kaplan report will be on. I haven't seen it.

Mr. BALL. They have made the report.

Senator WILLIAMS. But, it wouldn't be acted on this year, I don't think.

I believe you recommended a correction; is that correct?

Mr. BALL. Well, I may have been talking about a point different than that which you have in mind.

Secretary HOBBY. I don't think you are talking about the same thing.

Mr. BALL. The thing I am talking about that the Kaplan recommendations would correct is the possibility of the person getting credit toward a full rate OASI benefit at the same time he gets credit toward a full rate civil-service benefit.

Senator BUTLER. Presently, certain employees are classified as temporary, and were placed with old-age and survivors insurance, to make their contributions and later they were restored to the civil-service fund. They had accumulated credits under your system and at the same time in computing the retirement benefits they got paid for the same period.

They can't collect from both.

Mr. BALL. To correct that situation would require a change in the civil-service retirement law.

Senator BUTLER. It would be a change in both, as I understand.

Senator WILLIAMS. I refer that to both you and Senator Carlson. I hope you can get together on it.

Senator CARLSON. The Civil Service Committee has given it some consideration, and I imagine there will be no effort to report that out this session of Congress. It is very complicated and very comprehensive. Senator Williams brings up a point that, if we can make some adjustment, I would be very much in favor.

Senator WILLIAMS. The only thing would be if they tried to contribute to both funds. That collecting from both funds is permissible. There are about 1 million employees affected, as I understand, who are not drawing benefits, but it is something that should be corrected. Perhaps you could make a recommendation.

Secretary HOBBY. Well, we will make that and submit it to Senator Carlson and Senator Byrd's committee.

Mr. MYERS. As I understand, the question is, How is that net increase of 0.72 percent of payroll which we give as the level premium figure, or the average figure, distributed over the years?

Secretary HOBBY. Senator Byrd is interested in it in dollars.

Mr. MYERS. The actual disbursements are higher, but they are measured against a much higher payroll because of the increased coverage.

There would be about 600 million more dollars paid out in 1955. That is an increase of roughly 15 percent. However, the payroll base upon which contributions would be collected would be increased by roughly 25 percent.

Senator BYRD. As I understand it, that .72 percent is based on the payroll, is it not?

Mr. MYERS. Yes; seventy-two hundredths of 1 percent of payroll.

Senator BYRD. You increase the tax. Therefore, you gain for the immediate present a little on the additional coverage and the additional benefits.

Secretary HOBBY. The system gains on the higher wage base and complete coverage. We gain 0.18 and 0.15 or a total of 0.33, below the line, Senator Byrd.

Senator BYRD. Translating that into dollars, considering the additional taxation, what is it?

Mr. MYERS. In the first year, 1955, approximately $1 billion more would be collected.

Senator BYRD. And pay out $600 million?

Mr. MYERS. Yes.

Senator BYRD. But what you pay out will increase, will it not?

Mr. MYERS. Yes.

Senator BYRD. Your next increase in rate would come in 1960?

Mr. MYERS. Yes, sir.

Senator BYRD. Before that time comes, you would be losing funds by reason of this bill, as compared with the 1-percent increase.

Mr. MYERS. You will be losing funds as compared with the increase due to the increased coverage and increased wage base. This is particularly true not so much in the earlier years where you have relatively few new beneficiaries, but in the long run, 20 or 30 years from now.

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Senator BYRD. You don't provide any further increase in the rate until 1960?

Mr. MYERS. That is in present law.

Senator BYRD. What I am trying to get at is how much this bill is going to increase it as compared with the new revenue that you are getting in this year, this 1 percent additional. In the present year you gain something. The next year you gain a little less, and finally you lose money, before this new increase which you propose comes in, which is 2.5 percent on each party, in 1960.

Mr. MYERS. Yes, sir.

Senator MARTIN. What will be in the fund in 1960?

Mr. MYERS. In 1960, according to the intermediate estimate, we show $27.8 billion as being in the fund under the bill. Under present law the corresponding figure would be very close to the same amount also, about $28 billion. As the Senator said, the $400 million excess that we will collect under the bill in 1955 gradually will be wiped out, and the net effect over the first 5 years will leave the trust fund in just about the same position as under present law.

Senator BYRD. I am trying to determine in my own mind whether you are keeping up, by reason of the increases you propose, the additional benefits you are making and additional coverage you are making, whether you are keeping up the solvency of the fund.

Mr. MYERS. In 1960, the actual dollar amount in the trust fund happens to come out about the same. It works out that way.

Senator MARTIN. That would be about what?

Mr. MYERS. About $28 billion.

Senator MARTIN. What is it now?

Mr. MYERS. There is somewhat over $19 billion in the fund as of now.

Senator BYRD. Do you keep it on increased wages during that period? Do you base it on that?

Mr. MYERS. No, sir; these estimates are based on a level general wage trend, at about the present level.

Senator MARTIN. Now, what if we had quite a dip as we had in the thirties?

Mr. MYERS. If there was to be a business recession as there was in the thirties, a severe one, the effect would be that—first of all—the contributions collected would be cut very sharply. In addition, of course, on the other side, there would be more people retired because many of the people over 65 would either lose their jobs or there would be pressure for them to retire and give their jobs to others. Accordingly, benefit disbursements go up and the contributions might be reduced by 50 percent. I have not made any estimates for those circumstances, but the trust fund would be well less than $28 billion.

Senator MARTIN. It seems to me we ought to take that into consideration. Of course, you know I have always been one of the advocates of making an estimate for each year on the pay-as-you-go basis. But, as you know, I think all Government should go on a pay-as-you-go basis until you get into war. When you get into war, you can't do it. I suppose that is an old-fashioned idea, but the family who pays its way at the end of the year is a very happy family and I would like to see the United States a happy Nation.

Senator BYRD. I'm afraid you won't see that for a long time.

Senator MARTIN. It is up to some of us oldtimers who don't have much to expect in the future. With the young fellows it is a different proposition.

Senator BYRD. I have been on this committee for 21 years and I had the idea that you could put it on a pay-as-you-go basis. My investigation convinces me that you can't. This is a long-term proposition. You have to collect the money. For instance, a man who starts in at 20 years, he pays for 45 years before he get anything out of this. That money helps to pay others during that time, and when he starts getting it, other young people come in. It takes a colossal sum. If you simply invest it and take the revenue from, it would be a tremendous sum of money.

Senator MARTIN. Of course, it would, but I don't suppose you could make it actuarially sound because it is such an enormous sum.

Senator BYRD. I think you can do it by collecting enough money to pay the benefits out. If you would have a depression it would knock it sky high, and as I see it the Federal Government, while it isn't legally obligated to do so, it has a moral obligation to make good on these benefits, upon the basis that they receive certain benefits. If the money isn't there, the Federal Government in a sense underwrites it.

I think we ought to avoid a situation where the Government, itself, may be called upon for a large sum of money at a time when it hasn't the money and needs it. For the reason, I pose the suggestion that we suspend this increase. If we are going through with this, I think we should try to safeguard it and prevent a condition whereby in times of distress the Government will be called upon to make good these resources and work on the other tremendous debt, the debt of $275 billion.

Senator CARLSON. In this present bill we are considering, it does have increases not in pending law. In 1960 it goes to 2.5; 1965, 3.0; 1973, 3¼; 1970 under the proposed bill is increased one-quarter of 1 percent, up to 3½, and the 1975 has been added to go up to 4 percent.

Senator BYRD. I can't have much confidence in these estimates when I look at page 30 of the House report and see that there are estimates which will give us $354 billion under one estimate for the year 2020, while the other estimate shows the fund to be completely exhausted then.

Something is wrong, there.

Mr. MYERS. Senator Byrd, on that point, of course, I am sure you appreciate that any long-range estimates for a period as far ahead as a 70-year period is bound to have a wide spread. Even in the past 15 or 20 years, there has been considerable deviation between actual experience and past estimates.

I don't believe that anybody could feel that precise estimates could be made for a long-range program such as this.

Senator BYRD. A difference between $354 billion and nothing. It is quite sizable.

Mr. MYERS. When actuarial estimates are carried out that far, even a slight deviation accumulates. That range of estimates is shown for illustrative purposes. There is also indicated here an intermediate estimate, falling in between the range.

Actually, the situation would never occur such as having the fund exhausted, or rising to some such figure as $350 billion because in the

meantime some sort of congressional action would be necessary to raise the tax rates further, or reduce the benefits, or on the contrary, if the experience was favorable and the system didn't cost as much as indicated, the contribution rates wouldn't be raised to the magnitude which would produce such a large trust fund.

Senator BENNETT. Senator, I think philosophically, it proves to us that $354 billion amounts to nothing.

Senator LONG. It has always seemed to me that as long as we took in more money year by year than we paid out, we weren't going to have a lot to worry about.

It might be you could build an enormous fund up to the point where you will have $225 billion on hand, if you don't have the services available, it will do no one any good. The food that they eat must come from production on the American farms in the last analysis.

Senator BYRD. As I understand it, the entire expense, administrative and everything, is connected with this fund.

Secretary HOBBY. Yes.

Senator BYRD. Wasn't there a time when there was a 3-percent interest rate some years back? That was in the nature of a subsidy at that time. That has been stopped.

Mr. MYERS. That was until 1940.

Senator BYRD. There is presently no subsidy and no payment of any character up to date, except the difference between the 3 percent and the normal rate, which stopped in 1940?

Mr. MYERS. Yes.

Senator BUTLER. If I understood Senator Byrd's argument here in the past several minutes, he is in favor of protecting the fund by putting in the increases that we provided and test them by drawing a little easier to the payment of the benefit.

Senator BYRD. I think we should avoid a situation where the Federal Treasury makes us have losses, which could happen at a time when the Federal Treasury is as much to blame as anything else.

Senator WILLIAMS. Are both these estimates based on the same set line of projected costs and contributions?

Mr. MYERS. Each of the cost estimates on page 30 of the House report is based on a set of assumptions. They are based on the same provisions of law. They are based on different assumptions as to mortality, retirement rates, and so forth. The low-cost estimate shows the result of combining all the low-cost assumptions, such as people work longer, mortality does not improve, and so forth.

The high-cost estimate would be based on assumptions where people retire early and live for a very long time, and so forth.

Senator WILLIAMS. Don't you ever take into consideration when you see this, the law of averages which they usually figure the ways to split the difference? One that wouldn't confuse us that much.

Mr. MYERS. That is also in the House report. On page 34 an intermediate estimate shows a trust fund of around $110 billion some 70 years hence. It is from this estimate that the House determined the contribution schedule.

Presumably if experience turned out on the low-cost side and no other changes were made, the contribution schedule could be reduced, and still the trust fund will come out with something around $100 million.

But, we did want to show both sets of estimates so that people wouldn't look at the single estimate and say, "This is absolutely what is going to happen," because we know from past experience that you just can't predict the future accurately.

The best basis of figuring costs is as a percentage of payroll rather than considering the progress of the trust fund. What the burden on the country might be in the future is best shown in terms of taxable payroll rather than in terms of the size of the trust fund. The table on page 29 of the House report shows a range in ultimate costs of from 7½ percent of payroll to 11½ percent, a relatively narrow spread as compared with the range in the trust-fund estimates on page 30.

Senator BYRD. When does the next increase go in, in 1960?

Mr. MYERS. Yes.

Senator BYRD. After 6 years there would be no loss or reduction in the fund by reason of what we are doing now?

Mr. MYERS. The trust fund in 1960 will come out about the same under the bill as under present law.

Senator BYRD. I think those figures are utterly worthless.

Mrs. HOBBY. They are very confusing.

Senator, I would have to refer to the actuaries. I get lost between $354 billion and nothing and I don't know what to do with it.

Senator Byrd, we do make an estimate year by year.

Senator BUTLER. Is there more on the charts? If there is nothing more on the charts, you may proceed with your statement.

Secretary HOBBY. Mr. Chairman, our discussion this morning would be incomplete without some further mention of the close relationship of old-age and survivors insurance and the public assistance programs. Broadened coverage and increased benefits will greatly improve the effectiveness of old-age and survivors insurance.

As old-age and survivors insurance assumes more and more of the load of supporting our aged population, the need for old-age assistance payments will diminish. By the end of 1955 the States will have saved about $15 million in their old-age assistance programs as a result of the improvements in old-age and survivors insurance. By 1960 these savings to the States will be at the rate of $75 million a year and by 1980, $130 million a year.

As the President stated in his message of January 14, transmitting his OASI recommendations to the Congress—

As broadened OASI coverage goes into effect, the proportion of our aged population eligible for benefits will increase from 45 to 75 percent in the next 5 or 6 years. Although the need for some measure of public assistance will continue, the OASI program will progressively reduce, year by year, the extent of the need for public-assistance payments by the substitution of OASI benefits.

Under the present old-age assistance matching formula the general revenues of the Federal Government matched the States on a 50–50 basis on that part of old-age assistance payments which exceeds $25 up to the maximum of $55. If the present OASI bill is passed increasing benefits and making coverage virtually universal, it would seem reasonable in those old-age assistance cases where the individual is receiving a Federal OASI benefit that matching of any supplementary payment from the general revenues of the Federal Government be at the 50–50 rate, rather than at the higher rates applicable to the first $25 of an old-age assistance payment.

We recommend such a change in the matching formula for old-age assistance cases coming on the rolls after January 1, 1955, where the individual also receives old-age and survivors insurance.

The combined effect of the improvements in OASI and this proposal on old-age assistance supplementary payments would be a net saving for the States as well as for the general revenues of the Federal Government.

H. R. 9366 does not embody any new public assistance matching provisions, but it does extend the present provisions for 12 months until September 30, 1955. We believe in the desirability of this extension. However, since the budgets of most States and the Federal Government are on a fiscal year basis ending on June 30 of each year, we believe that it would be in the interest of orderly and efficient budgeting and administrative planning to extend the present public-assistance provisions until June 30, 1955.

We recommend that the committee give favorable consideration to this proposal for an integrated approach to these two programs which affect so importantly the lives and well-being of our aged people.

Mr. Chairman, this concludes our testimony on H. R. 9366.

There are certain aspects of the bill, added by the House Ways and Means Committee, to which I have not addressed myself, in the interest of time. These include provisions relating to:

Eligibility of widows, children and dependent parents of wage earners who died before the enactment of the 1950 amendments and who had the requisite number of quarters of coverage so that they would have been insured if they had died subsequently.

Wage credits for persons illegally in this country; benefits payable to persons deported; benefits payable to certain dependent and survivor beneficiaries living in foreign countries, and the placing of a maximum of $255 on the lump-sum payable on the worker's death.

I have also not mentioned numerous technical amendments the bill would effect in present law.

H. R. 9366 is a bill which would preserve and strengthen the sound aspects of our old-age and survivors insurance system. It would correct many of the deficiencies which have appeared in its structure. We believe that it represents an important and constructive step for the promotion of the general welfare of our citizens. We, therefore, urge that the bill be given favorable consideration by your committee and by the Senate.

Senator BUTLER. Madam Secretary, in behalf of Senator Milliken and other members of the committee, I want to commend you and your associates for the splendid statement that you have made. That is not committing anybody on the committee to everything that has been presented, Madam Secretary, but I will say that you have made a very fine presentation.

In order to simplify it to the limit, I want somebody to tell me what the maximum income one can have—wage or anything else—before he is qualified to come under the terms of the bill.

Many people in the country today have purchased an annuity to take care of themselves. It brings them in $500 a month of $6,000 a year. Are they qualified to come under the provisions of this bill?

Mr. BALL. Yes, sir. You are entitled to old-age and survivors' insurance benefits if you meet the earnings requirements in the law for insured status. That is, if you worked and had been employed

for a sufficient time, regardless of any income you have on your own or savings. Annuities, and private retirement systems do not disqualify you from benefits.

Senator BUTLER. I'll admit I was a little personally concerned this morning when I was asked a question with reference to the farm owner who has his farm operated by a partner. The owner is self-employed and is contributing to the fund and, therefore, would be qualified, as I understand it.

Mr. BALL. Yes, sir.

Senator BUTLER. It will make a great deal of difference to a lot of people interested in agriculture.

Mr. BALL. You do not get benefits as long as you have substantial earnings. Not income from savings, now, but if you are still actively engaged in work. You don't get your benefits under that retirement test that was explained until you reach 75. But savings—annuities and any other form of savings do not disqualify a beneficiary.

Senator BUTLER. Has the Department in any way made estimates in connection with the operation of the income-tax law? In other words, if we could drop our income-tax collections at the same rate that we put these assessments on for the maintenance of this fund, it would be a little easier to sell than it would if we figured it as an increase all the time, in the shape of an income tax.

Have you related the two jobs in any way?

Secretary HOBBY. I don't believe we have. I think we would have to talk to Mr. Humphrey.

Senator BYRD. This is deductible from the income tax, what you pay on this, as an expense, isn't it?

Secretary HOBBY. Yes. The employer.

Senator MARTIN. He deducts it, as I understand it.

Senator GEORGE. He doesn't deduct what he pays to the self-employed person.

Senator MARTIN. I don't think he does.

Senator GEORGE. Mr. Chairman, may I insert there one question? You said that you had not discussed certain provisions in the House bill. But, may I ask you what your reaction to the last of those changes would be that you noted in your statement at page 62: "Benefits payable to certain dependents and beneficiaries living in foreign countries," if you have given it consideration?

Secretary HOBBY. Yes, sir; we have, Senator George, and we think we should oppose that on the basis that if a man works in this country and makes a contribution under our laws and his employer makes a contribution under our laws that then we should not discriminate against him because his dependents may, at that time, live in another country.

Senator GEORGE. I'm glad to hear you say that. I agree with you.

Senator BUTLER. Are there any other questions? If there are no further questions of the Secretary at this time, or staff members, I think it would be in perfect order to adjourn so that we can take our part in the reciprocal trade vote on the floor.

I want to thank you again for a splendid statement and cooperation. The committee then will stand adjourned until 10:30 Monday next.

Secretary HOBBY. Thank you very much, Mr. Chairman.

(Whereupon, at 4:35 p. m., the committee recessed, to reconvene at 10:30 a. m., Monday, June 28, 1954.)

SOCIAL SECURITY AMENDMENTS OF 1954

MONDAY, JUNE 28, 1954

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

The committee met, pursuant to call, in room 312, Senate Office Building, at 10:40 a. m., Senator Frank Carlson, presiding.

Present: Senators Martin, Carlson, and George.

Senator CARLSON (presiding). The committee will please come to order.

At the request of the chairman I submit for the record a letter from Senator Olin D. Johnston of South Carolina, urging favorable action on the provision in H. R. 9366, increasing the earnings base from $3,600 to $4,200 and advocating further amendments lowering the retirement age from 65 to 60.

It was my privilege to visit with Senator Johnston about this letter and I now make it part of the record.

(The letter referred to follows:)

JUNE 25, 1954.

To the Chairman and Members of the Senate Finance Committee:

In that the hearings on H. R. 9366 are now underway, I feel it appropriate to bring to your attention one very important feature of this legislation as passed by the House of Representatives, and, also, request consideration during the hearings of an amendment which I think would be vitally important to the people of the Nation who are covered by social security.

It was recommended by the President that the wage-base limit be increased from $3,600 to $4,200. The House of Representatives has seen fit to make this same recommendation. I feel that this increase is necessary in order to keep social-security benefits in line with present costs of living. I hope that the committee will vote to increase the earnings base from $3,600 to $4,200.

The legislation you have under consideration will illustrate the importance of the wage base, particularly for the workers, as shown in this table:

Average monthly wage	Monthly benefit for single retired worker	
	Under present law	Under H. R. 9366
$200	$70.00	$78.50
$250	77.50	88.50
$300	85.00	98.50
$325	85.00	103.50
$350	85.00	108.50

Also, I feel that the minimum age at which a person may receive social security benefits should be lowered from 65 years to 60 years of age. During recent years, increasing numbers of men and women around 60 years of age have been fired from their jobs simply because they are no longer able to produce as a younger person. These men and women have not been able to secure other jobs because of their age. They have lost their means of livelihood because of reasons beyond

their control; yet they have not reached the official retirement age as recognized by social security. There are thousands of these persons right in our midst today, and the number is increasing daily.

The whole purpose behind social security is to assure our working people of a livelihood upon reaching retirement. We have set the retirement age at 65, but it has developed that our Nation's workers are being retired involuntarily before the age of 65 is reached. If the logic of social security is to be maintained, Congress must amend the law so as to lower the minimum age. Otherwise, many of these people will starve while awaiting retirement benefits.

I have firsthand knowledge of the facts in the above paragraph, because I see many, many cases in my own State of South Carolina.

It is my hope that your committee will consider carefully an amendment to lower the minimum age at which a person becomes eligible to receive social security benefits.

With highest esteem to your committee, I am

Sincerely yours,

OLIN D. JOHNSTON.

Senator GEORGE. May I put in the record a letter from the executive secretary, the Honorable Frank DeLamar of the employees retirement system of Georgia, making two specific recommendations.

Senator CARLSON. It will be made a part of the record.

(The letter referred to follows:)

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA,
Atlanta 3, Ga., June 28, 1954.

Senator WALTER F. GEORGE,
Washington, D. C.

DEAR SENATOR: In order to summarize our discussion with you today, there are two provisions that our board of trustees feel will definitely strengthen the safeguards in H. R. 9366 which are needed for the protection of public employees now under an existing retirement system. These are:

1. Determination of definition of coverage group by State legislatures.
2. Inclusion of a provision that for any coverage group of public employees who are brought under social security coverage subsequent to effective date of said bill, the starting date for such coverage group for the computation of, and qualification for, benefits, shall be a date not earlier than the first day of the calendar year in which they are brought under social security coverage.

Although the joint committee of public employee organizations (of which our system is a member) will appear before the Senate Finance Committee today recommending 6 or 7 safeguards, the 2 listed above are the particular recommendations to be made by that committee that our board of trustees urgently request you to favorably support if you can possibly do so.

Sincerely yours,

W. FRANK DELAMAR,
Executive Secretary.

Senator Carlson. I also submit for the record the following statement submitted in lieu of personal appearances from the Colorado Education Association from Craig F. Minear, executive secretary; statement from the Massachusetts Association of Contributory Retirement Boards by John E. Coyne, president; from the Denver Public Schools Employees Pension and Benefit Association by James Reiva, vice chairman; from the city of Philadelphia, a Police Pension Association by Hugh E. Belger, vice president; a statement from the American Nurses' Association; a statement from the American Legion by Miles D. Kennedy, the legislative representative; and the New Jersey Civil Service Association, John G. Goff, president; a statement from the Philadelphia Teachers Association by Elizabeth R. Hass, president; a letter from Paul J. Walsh, president, Massachusetts State Employees' Association; a letter from Joseph P. Fitzgerald, recording secretary, Policeman's Annuity and Benefit Fund of the City of Chicago; a letter from Ivan Ehlder, secretary-treasurer, Denver Policeman's Protective Association, and a letter from Neil Horan, legal adviser,

Colorado State Fireman's Association and Denver Fireman's Protective Association.

(The statements referred to follow:)

OFFICIAL STATEMENT, COLORADO EDUCATION ASSOCIATION RE H. R. 9366, PERTAINING TO EXTENSION OF SOCIAL SECURITY TO PUBLIC EMPLOYEES SUBMITTED BY CRAIG P. MINEAR, EXECUTIVE SECRETARY OF THE COLORADO EDUCATION ASSOCIATION

On several occasions the Colorado Education Association has taken official action relative to the extension of social security. The official position of the Colorado Education Association, which was established by its delegate assembly on December 10, 1953, is as follows:

"*Be it resolved*, That the association again join with the National Education Association to reaffirm to Congress its belief that properly planned and adequately financed State and local retirement systems serve best the requirements of the teaching profession. If these systems are to be supplemented by Federal social-security provisions, the enacted Federal legislation and State laws should give unconditional assurance that the total retirement benefits will not be reduced below those now guaranteed by present law. Such supplementary legislation should require an endorsement of a substantial majority of the membership after referendum among the active members of the existing State or local retirement system."

Some reasons for the adoption of this resolution by the teachers of Colorado are as follows:

1. In 1944, through action of the State legislature, the Public Employees Retirement Association (PERA) was extended to include, for the first time, school district employees.

2. Since that time the plan has not improved and now all school districts not covered by a local retirement plan are covered under the State plan.

3. As of March 1, 1954, 10,043 school district employees are covered under the State PERA. This represents a very high percentage of the school employees who are eligible.

4. Under the provisions of PERA the school employee pays 5 percent of each months' salary toward his retirement, which amount is matched by the school district, and the benefits are proportionate to the amount contributed.

5. The retirement benefits to the employees from a plan which is known to be actuarily sound, meet the requirements of this group in a very satisfactory manner. The members do not want to jeopardize in any way the operation of a very satisfactory retirement program.

An analysis of H. R. 9366 indicates:

(1) "that the bill would allow the States to provide coverage under Federal-State agreements for members of State and local government retirement systems (except policemen and firemen) provided that at least a majority of the eligible voters vote and two-thirds of those voting were in favor of coming under the old-age and survivors insurance," and

(2) "that it is the policy of the Congress in providing for the coverage under old-age and survivors insurance of employees under a State or local retirement system that the protection of employees and beneficiaries who are under the retirement system will not be impaired as a result of coverage under old-age survivors insurance."

We strongly recommend that the following changes be incorporated in H. R. 9366, which changes would provide more adequate safeguards for the maintenance of a sound retirement program:

1. Members of State and local systems should be informed of what they are voting on in any referendum (best accomplished with full information accompanying the ballot).

It is our observation, on matters pertaining to school legislation in our State, in spite of our best efforts to inform our membership of the issues involved, by means of meetings, letters, bulletins, and our monthly journal, it is extremely difficult to disseminate unbiased and factual information. To ask any group to vote on important changes in their own retirement system without provision for adequate information thereon, we feel would be dangerous and unfair to members with substantial rights and equities.

2. There should be a favorable vote of two-thirds of the eligible voters, instead of two-thirds of those voting.

We take violent exception to this proviso, as contained in H. R. 9366. As has been said, a favorable vote of "two-thirds of those voting" makes possible minority rule. Any proposition should be worthy of the support of a clear majority before adoption. In spite of arguments to the contrary, substantive changes in law usually require at least a favorable vote of a majority of the group; viz: Constitutional amendments require adoption by two-thirds of the States. The referendum in Colorado requires approval of two-thirds of the general assembly before submission to the electorate. We do not believe that a minority should be able to divest the majority of their vested interests.

3. The definition of "coverage groups" and the voting therein should both be clarified.

As to what constitutes a coverage group should not only be determinable at the State level, but should also be clear. As we construe provisions in H. R. 9366 relating thereto, in statewide retirement systems, if any separate political subdivision is to be considered a separate coverage group, all covered political subdivisions must be so considered. We have 1,100 school districts in Colorado. Some of our coverage groups thus determined would consist of 2 or 3 persons. A ridiculous situation, to be sure, but that's the present wording in H. R. 9366.

Although we have some misgivings as to the extension of social security to our own group, we do realize that some groups under existing retirement plans are not so adequately covered as is our own. Under these circumstances we have no objection to H. R. 9366 provided that the above stated safeguards are incorporated within the framework of the bill.

STATEMENT SUBMITTED BY JOHN E. COYNE, PRESIDENT, MASSACHUSETTS ASSOCIATION OF CONTRIBUTORY RETIREMENT BOARDS AND MEMBER OF THE EXECUTIVE COMMITTEE OF THE NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS ON SOCIAL SECURITY EXTENSION TO PUBLIC EMPLOYEES (H. R. 9366)

The public employees of this Commonwealth and its political subdivisions have a vital concern and interest in the proposed amendments to the Social Security Act before the Senate Finance Committee on June 28, 1954. None of our public employees are covered under social security, nor has there been any movement by any of the employee groups to obtain such coverage.

The employees are confident their retirement systems will continue to exist as an integral part of an enlightened personnel policy, to attract and retain competent personnel in the public service, to induce career service, and to provide a systematic plan for the retirement of aged and incapacitated workers, which advantages to the public employer and to the public employee cannot be achieved under the Social Security Act.

The 140,000 public employees in Massachusetts join with their fellow public employees throughout the country on the issue of social security. Over the years as members of contributory retirement systems they have acquired valuable vested rights, equities, and expectancies, which would be jeopardized, impaired or diminished if not properly safeguarded. They are in full accord with the policy of the National Conference on Public Employee Retirement Systems, representing over a million and a half public employees, and with the insistence of the conference that any bill to amend section 218 (d) of the Social Security Act should include at least the following seven points as minimum safeguards, for existing State and local retirement systems:

1. Assurance that the members of State and local retirement systems shall know what they are voting on in the referendum:
2. Total favorable vote of two-thirds of the eligible members;
3. Addition of a date to make the exclusion provisions more effective;
4. The continuance of total exclusion of firemen and policemen;
5. Determination of definition of coverage group by State legislatures;
6. Inclusion of a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced.
7. Inclusion of a provision that for any coverage group of public employees who are brought under social security coverage subsequent to effective date of said bill, the starting date for such coverage group for the computation of, and qualification for, benefits, shall be a date not earlier than the first day of the calendar year in which they are brought undersocial security coverage.

It is appreciated that H. R. 9366 provides for total exclusion of firemen and policemen (point No. 4).

H. R. 9366 also has requirement in regard to the referendum, that at least 50 percent of the eligible members must vote, of which two-thirds of those voting must vote favorably, in order for existing public employee system to be included in the extension of social security. This requirement is not satisfactory, public employees believe the total favorable vote in such referendum must be two-thirds of the eligible members (point No. 2).

In conclusion, we appreciate your kind consideration and support of the reasonable requests and requirements sought by public employees in order to prevent detrimental changes to existing State and local retirement systems.

DENVER PUBLIC SCHOOL EMPLOYEES'
PENSION AND BENEFIT ASSOCIATION,
June 28, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

GENTLEMEN: The retirement board of the Denver Public School Employees' Pension and Benefit Association, representing in excess of 3,600 Denver public school employees, has on several previous occasions presented its views before appropriate committees of Congress. Last April, Newell B. Walters, executive secretary of our organization advised the Committee on Ways and Means of the House of Representatives of our position in regard to the extension of social security, especially as it applies to public employees. Since H. R. 9366 is now before your committee, we would like to reiterate to you our position.

The objective of the State or municipality or school district as an employer is to constantly seek improvements of its working personnel. Some of the problems which arise are those related to—

(1) Superannuated employees, that is employees who no longer can work with reasonable efficiency because of age;

(2) The disabled employees whose disability is due to occupational or nonoccupational causes; and

(3) Dependents of employees whose death resulted from occupational hazards or otherwise.

Various alternative methods have been used to meet these conditions. One obvious method is to retain the superannuated or disabled employees on the active payroll. This practice has been found to be unsatisfactory because of the adverse effect on the efficiency of the employees, and on the morale of the service in general. Another method is that of demotion, which, at best, is only a temporary expedient, subject to limitations. The third method is to place the employees on a part-time or part-pay basis. Still a fourth method is to dismiss, without further compensation, employees who are superannuated or disabled. This method is unpopular with the public as an employer, and is definitely harmful to employee morale.

The limited usefulness and the many disadvantages of these methods have given rise to a systematic and well-defined plan of retirement and disability benefits, such as we have in the Denver public schools. It must be emphasized that a retirement plan does not create the problems incident to the hazards of old age, disability, or death. The problems created by these hazards exist among any group of employees. The purpose of a retirement plan is to solve these problems in an orderly manner and on a sound financial basis.

It is our belief that a retirement plan must meet two fundamental objectives. These are "personnel" and "social." The personnel objectives may be summarized as follows:

(1) To eliminate from the payroll superannuated and disabled employees who are, in fact, hidden pensioners, and thus remove employees who are no longer able, physically or mentally, to perform their work properly;

(2) To aid recruitment by making the service more attractive to high-grade persons who might otherwise seek employment in private industry;

(3) To make the service sufficiently attractive so that experienced persons of character and ability already in the service will not seek employment elsewhere; and

(4) To keep avenues of advancement open by eliminating superannuated employees, and thus improve employee morale.

The social objectives are:

(1) To provide against insecurity in old age and during disability in the most economical manner, according to an organized and systematic plan, equitably balanced for all persons covered; and

(2) To obviate the need for relief grants particularly to persons of lower incomes whose need is most urgent during periods of emergency.

There are advantages of such a plan to the employer; however, they are not always clearly understood. Unless death intervenes, every worker reaches a point where he is no longer capable of performing his best work, because of superannuation or disability. In the absence of a retirement plan, the various alternative methods previously referred to are to be used to meet the problem of old age, inefficiency or disability, or action is sometimes taken in the discharge of the employee. But, in practice, this course will not be pursued, because the discharge of an aged or disabled employee is repugnant. Instead the employee is permitted to remain on the job. The effect of such a condition is that the employer is paying full salary and is charging the cost to his salary budget. The employer, in such cases, is paying for a retirement plan, and even though none is actually m intained.

A retirement plan cannot be considered as a charity doled out to the aged employee; it represents a sound investment to the public as an employer. It constitutes an orderly means of providing for the retirement of employees at the end of their productive period, with the use of a capital fund built up during the active service of the employees It helps make public administration a career for the able man or woman who is attracted to it but who hesitates to enter that service because of the lack of a definite prospect for financial independence. This is especially true of persons with special talents and proved ability.

The increase in complexity of governmental and regulatory functions makes it of utmost importance to secure and hold the best possible types of employees. The retirement plan can be of marked service in achieving that objective by stabilizing personnel and by preventing at least a proportion of the losses which occur when trained and efficient employees leave the service because of superior opportunities elsewhere. Thus, positive gains accrue to the public as an employer in that—

(1) Higher grade men and women are attracted to the State, municipal, or school service;

(2) Younger and more efficient employees replace those who are superannuated or disabled; and

(3) Economies and increased efficiency are secured for the public service.

It is our observation that the continued threat of the extension of social security to members of our retirement system, without proper provision for adequate safeguards of the rights and equities of our members, has created unrest and a lack of confidence in our long-established retirement program. The addition of social security, either by supplementation or integration, tends to weaken the attractiveness of our retirement plan in the competitive hiring of school employees.

We believe that the investment in our retirement plan by the District over many years would tend to be lost if our retirement benefits were reduced to a common denominator, which social security is. We feel that a superior retirement plan should not be diluted by integration or supplementation with OASI and, in addition, might be pennywise and pound foolish. The right to determine such issues should be left at the local level, and we feel that the safeguards advocated by the Joint Committee on Public Employee Organizations, if adopted, will re-create confidence among our employees to the effect that our retirement program is stable and substantial, and will not be altered, amended, or repealed contrary to the best interests of our employees and without the consent of a substantial majority of them.

We note that courts have recognized that in private employment the seniority right of an employee is a proprietary right in which an employee has a vested interest. By the same token, we believe it sound philosophy to recognize the accrued rights and benefits of public employees, which are based upon their seniority and assure them that they may not be divested of such without the consent of a substantial majority of the group. The sanctity of a contract was long ago recognized in the famous Dartmouth College case, and in this day and age when teacher-tenure rights are taken for granted, the recognition of accrued retirement rights does not shock our sense of propriety.

We therefore urge the committee and Members of Congress to include in any revisions of the Social Security Act, the minimum safeguards as stated by the Joint Committee on Public Employee Organizations, which are as follows:

(1) Assurance that members of the State and local retirement systems shall know what they are voting on in the referendum;

(2) Favorable vote of two-thirds of the eligible members instead of two-thirds of those voting;

(3) Addition of a date to make the exclusion provision more effective;
(4) Fire and police exclusion;
(5) Determination of definition of coverage groups by State legislatures; and
(6) Inclusion of a statement of policy that it is the intent of Congress in permitting a coverage of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced thereby.

Respectfully submitted.

JAMES T. REIVA, *Vice Chairman.*

STATEMENT OF HUGH E. BELGER, VICE PRESIDENT, CITY OF PHILADELPHIA, POLICE PENSION FUND ASSOCIATION

Mr. Chairman, my name is Hugh E. Belger; I am vice president of the city of Philadelphia Police Pension Fund Association, to which belong all of the policemen in Philadelphia, approximately 4,500 in number. As an official also of the National Employees Retirement System, I believe I can add my representation to those already appearing on behalf of that group.

On behalf of all the policemen in Philadelphia, I wish to request strenuously and most sincerely the inclusion in the proposed act, known as H. R. 9366, social security amendments of 1954, of the amendment as printed on page 15, line 8: "Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position."

We believe, and we earnestly urge, that policemen are not the proper subjects for inclusion in the manifold benefits of the Social Security Act.

The reasons for this are, at least, three:

1. Their work is dangerous and unique; a complete security must be offered as an inducement to obtain an adequate police force and law enforcement.

2. Their efficient work age ends at about 50 years, at which time a pension or retirement system must be provided for them.

3. Their dependents must have adequate protection at ages comparable with the termination of the policemen's service.

(1) A policeman's lot was described long ago as "not a happy one," and with increased lawlessness and disregard of human life, it is becoming less and less happy. To obtain the type of policeman required in our community, real advantages in the way of secured old age, or security for dependents in event of injury or death, must be offered. Such advantages are found in our existing pension-fund plan, giving real security after 20 years of service and attainment of 50 years of age. But such security is not, and cannot be offered in a nationwide Social Security Act which must try to aid generally, not particularly. If municipalities can promise to applicants for police positions only that security furnished by the Social Security Act, then I prophesy a great reduction in number and quality of applicants, and a resultant falling off in law enforcement.

(2) Due to the nature and rigors of his employment, a policeman's employed life, as such, rarely exceeds 20 years. If he becomes a policeman when he is 25 years of age, serves 20 years, he is then 45. By that age, he is no longer competent to cope with present day crime and criminals and he can best serve his community by retiring and allowing other, younger, more vigorous men to take his place.

Twenty years is a brief work span for a man. Savings in 20 years cannot give security for the balance of a man's life, when he is only 45 to 50, but his employable life has ceased. The pension fund in our city as now established provides adequate security for policemen when past 50 years of age, but again I say the Social Security Act does not, and cannot, provide the security demanded by this type of employment.

(3) In any man's thoughts of his own future security there must be coupled consideration for the future security of his dependents.

This is particularly true where policemen are concerned, where the duties which they perform may result, at any moment, in loss of life or in permanent disablement, and a wife and children dependent upon some other source for maintenance and care.

The provisions of the Social Security Act are most inadequate in such a situation. Can a policeman disregard his own safety in pursuit of law breakers, knowing that his family might be public charges for many years, in the event of his death, that the only protection for his widow against poverty was the Social

Security Act which would not help her until she became 65. What must be the morale of a law enforcement officer in such a situation? It could be only very low.

Under our pension fund plan, sufficient funds are provided for the widows of those killed in the line of duty, and adequate protection is given where permanent injury results. Again, this is not done and could not be done, under the Social Security Act.

My argument that the proposed amendment, eliminating the police from social-security coverage, be included, is based upon the desire of all of us for the best and highest type of law enforcement.

The present pension plan for policemen and their dependents in effect in the city of Philadelphia is such as to give a feeling of security to the average policeman in the performance of his hazardous duties. As a result, applicants for the police force are many and of a high quality. The morale among the men as they approach retirement age is exceptional.

To substitute for this the broad provisions of the Social Security Act, hopelessly inadequate for this type of employment, would be in my opinion and in the opinion of those I represent, a severe blow at the morale of law enforcement officers throughout the country, and might tend to increase the growing trend toward lawlessness. Do not allow this to take place.

Statement Relative to Proposed Amendments to the Social Security Act, American Nurses' Association

The American Nurses' Association, which is the organization of professional nurses representing over 173,000 graduate professional nurses in the United States, with constituent organizations in the 48 States, the District of Columbia, Alaska, Hawaii, Puerto Rico, the Panama Canal Zone, and the Virgin Islands, wishes to record its support of H. R. 9366 which is now being considered by the Senate Committee on Finance.

Our organization has as its main objectives the improvement of nursing care of the patient and the promotion of the economic welfare of its members. The members of the American Nurses' Association consider Federal social security important to their economic welfare. They, like other employed people, desire the attainment of a basic floor of security.

The house of delegates of the American Nurses' Association at each of its biennial conventions since 1944 has taken action in favor of the extension of social-security coverage to all professional nurses and has urged other specific improvements in the provisions which would benefit nurses. The members of the advisory council representing State associations, and other units of the association representing various occupational groups in nursing, have taken similar action.

The members of the American Nurses' Association approves in general, the purposes of H. R. 9366, and specifically urges favorable consideration of the following proposals:

1. Extension of coverage to employees of State and local governments and agencies under State and local retirement systems.
2. Provision for more adequate benefits.
3. Increase in the amount of earnings permitted beneficiaries.
4. Provision for acceptance of coverage at any time by employees of nonprofit organizations to permit employees who did not choose coverage at the time the organization elected coverage.
5. Reduction of the qualifying age to 60 for women.
6. Provision for payment of benefits and waiver of premiums for persons under 65 who are permanently and totally disabled.

COVERAGE OF STATE AND LOCAL GOVERNMENT EMPLOYEES UNDER RETIREMENT SYSTEMS

There are approximately 67,000 professional nurses employed by State and local governments and agencies. This group comprises about 20 percent of all active professional nurses. Approximately 46,700 of these publicly employed nurses work in hospitals and related institutions.[1] In about 50 percent of the State and local government hospitals, employees are covered by governmental retirement plans other than Federal social security.[2] Nurses occupying positions

[1] Data on institutional nurses from American Medical Association, 1952 census of hospitals. Data on public health nurses from U. S. Public Health Service, 1953, reported in ANA, Facts About Nursing, 1953 edition.

[2] American Hospital Association, Hospital Salary Survey, 1953, p. 51.

covered by retirement systems of State and local governments are now barred from social-security coverage. Many professional nurses, employed by State and local governments, move in and out of government service. The majority of those who leave the service before they retire lose their rights to any retirement income to which they would be entitled under State and local retirement systems. Furthermore, nurses who enter positions in public employment covered by a retirement system receive no credit for years of private employment and yet can build up very limited credits for the shorter period in governmental service. We favor, therefore, the extension of old-age and survivors insurance to permit coverage of these excluded employees under Federal-State agreements without loss in total retirement protection.

INCREASED BENEFITS AND PROVISION FOR ACCEPTANCE OF COVERAGE BY CERTAIN EXCLUDED EMPLOYEES OF NONPROFIT HOSPITALS

Salaries of registered professional nurses, particularly those employed in hospitals, have been traditionally low and increases in recent years have not kept pace with rising living costs. We believe that substandard employment conditions of registered nurses affect the quality of nursing care and therefore affect the health of the American people. Without good nursing care, patients' lives are endangered. The majority of professional nurses employed in hospitals do not enjoy the benefits which have been gained by most workers employed in business and industry. Few of the nurses employed in hospitals have the benefit of private retirement plans to supplement social security. A survey made in 1953 showed that only 10 percent of nongovernment hospitals offered private retirement plans to their employees.[3] The median income of professional nurses working full time is estimated at $2,500 to $3,000 per year.[4] The level of their incomes is not adequate to permit the payment of the full actuarial cost of adequate old-age annuities through savings. In addition, those who may have refused coverage at the time the employer selected coverage cannot later accept it without a change of employment.

On the basis of these facts, and in order to provide benefit payments in line with economic conditions, the American Nurses' Association favors the provisions in H. R. 9366, which would broaden the wage base upon which benefits are computed, drop out 4 years of lowest earnings for purpose of computing average monthly wage, and revise the benefit formula. We also favor change in the provisions of the law to permit acceptance of coverage at any time by employees of nonprofit organizations.

RETIREMENT TEST

Many of the Nation's professional nurses are not totally disabled after reaching the age of 65 and continue to work part time. The $75 limit on their earnings is unsatisfactory and offers little incentive to them to accept additional work. The American Nurses' Association has received many communications from private duty nurses expressing concern regarding the present retirement test. Due to low levels of pay, social-security benefits, plus the $75 monthly earnings allowed under the present provisions of the law, are insufficient to give adequate support to the nurse and any dependents she may have.

The present limitation on the amount of earnings permitted to beneficiaries has the effect of reducing the number of hours of nursing care which are sorely needed to alleviate critical shortages which exist at the present time. The improved retirement test proposed in H. R. 9366 would do much to alleviate the present problems.

QUALIFYING AGE FOR WOMEN

It was estimated in 1951 that 46.5 percent of the active professional nurses of the country were married.[5] Since almost half of the men 65 and over have wives below this age of 65, and because of the difficulty experienced by older women in securing employment, we favor lowering to 60 years the age at which a retired worker's wife or a retired woman becomes eligible for benefits.

DISABILITY BENEFITS

Those nurses who become disabled before reaching age 65 risk under the present provisions of the law, both early dependency and the loss of their old-age insur-

[3] American Hospital Association, *Hospital Salary Survey*, 1953, p. 51.
[4] The U. S. Bureau of the Census reported 1949 median annual income for professional nurses who worked 50 to 52 weeks as $2,490 for women, $2,907 for men.
[5] American Nurses' Association, Inventory of Professional Registered Nurses, 1951, p. 12.

ance benefits. Most other countries have made provisions in their social-security systems against income loss resulting from total and permanent disability. We believe it to be socially sound to provide benefits to insured persons who become totally and permanently disabled before age 65.

In conclusion, the American Nurses' Association supports these improvements in the contributory social insurance in the belief that such changes will provide more equitable coverage and benefits for professional nurses and other employed persons.

STATEMENT OF MILES D. KENNEDY, DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION, IN CONNECTION WITH HEARINGS ON H. R. 9366

Mr. Chairman and gentlemen of the committee, my name is Miles D. Kennedy and I am the national legislative director of the American Legion. I am appearing in behalf of the American Legion and more particularly in behalf of our National Child Welfare Commission, and want to take this opportunity to express our sincere appreciation for the privilege of stating our position on certain matters relating to H. R. 9366.

Although very much interested in the veteran and his wife or widow, you will, of course, recognize that the Child Welfare Commission has a major interest in those social-security features pertaining to children or that primarily affect children.

I would also like to establish the position that I do not in any sense appear before you as an expert in the insurance field. I have studied the Social Security Act and have real appreciation for its complexities and for the difficulties which exist in any attempt to amend its provisions. As an organization, however, the American Legion believes that certain changes in the present Social Security Act are desirable, particularly in the social-insurance provisions. Our National Child Welfare Commission has maintained an almost continuous study of social-security matters since 1946 and feels that there are certain lacks and shortcomings which are given consideration in H. R. 9366 and upon which we wish to comment.

One of the primary purposes of the American Legion is to be of service to the disabled veterans and to the dependents of veterans of the two world wars and the Korean conflict. Our interest in children is a part of that broad program of service. For more than a quarter of a century one of the goals of the American Legion has been "A square deal for every child" and in that period of time we have provided funds and services in excess of $100 million in aid to children. Even in these days, $100 million is a very respectable sum of money and should indicate that the American Legion has more than an academic interest in the well-being of children.

Because we have had in such close succession two world wars and a military action in Korea, a great percentage of the males in this country are either veterans of maximum child-producing age or veterans who only recently passed that age. The result is that at least half of the children in the United States are today the children of veterans and that percentage may be expected to rise even further in the near future. We are all aware of the record number of births during the past several years and we estimate that considerably better than 50 percent of these new children are of veteran parentage. In fact, a conservative estimate would place about two-thirds of our current births in this Nation in the category of veterans' children.

Within the national organization of the American Legion and its affiliated organizations, we have facilities for extending direct cash assistance to the dependent children of veterans on a temporary basis whenever governmental or other sources of aid are not available, or are inadequate. Although we have been able to assist children through the expenditure of some $100 million, our experience has shown us that with some 26 or 27 million children of veteran parentage, it is impossible for any private organization, however large, to expect to assure proper care and protection to even the children of veterans, much less to all children of our Nation. For that reason, we have felt deeply obligated to turn more and more of our attention to those public programs established by Congress and by the State legislatures for the benefit of children generally.

In order that the position of the American Legion in relation to H. R. 9366 may be understood and for the purposes of the record, I would like to submit the resolving clauses of the most recent resolutions adopted by the national executive committee, our governing body, at its April 29–May 1, 1953, meeting, pertaining to two phases of the Social Security Act which are included in this bill:

No. 2. Amend Social Security Act to preserve wage credits of those unable to remain in covered employment because disabled

"*Resolved*, That Congress, in its present study of the Social Security Act and of needed changes thereto, be asked to amend the Social Secutiry Act so as to preserve wage credits of those who are unable to remain in covered employment by reason of disability and thereby insure benefits to such persons at the time they reach the age of 65, or to their eligible surviving dependents in the event of their death, such benefits to be based upon the actual wage credits earned prior to the time of disability without regard to time elapsed during which no wage credits have been earned as a result of disability."

No. 1. Eliminate or raise the ceiling on earnings of all old-age and survivors insurance recipients

"Whereas many widows of veterans in order to support their minor children find it necessary to supplement old-age and survivors insurance income by seeking employment and thereby suffer such decrease in, or loss of, old-age and survivors insurance benefits to which they are otherwise entitled: Be it

"*Resolved*, That special attention is called to need of widows of veterans who are supporting minor children for relief from the limitations of the present $75 maximum on earnings and amendments of the Social Security Act to provide said relief is urged."

Resolution No. 2 above asks that the Social Security Act be amended to preserve wage credits of those who are unable to remain in covered employment by reason of disability. We believe H. R. 9366 meets the requirements of our resolution by virtue of preserving those wage credits under certain conditions and we, therefore, urge the adoption of this provision.

From a veteran's standpoint, the present statute provides a benefit in one section of the act and takes it away in another section. The same act which grants $160 credit for time spent in military service removes that benefit for those who are totally disabled by not providing a wage credit "freeze." Naturally the same provision applies to the civilian who is a nonveteran. From the standpoint of surviving dependents of veterans and nonveterans alike, it means being penalized because the wage-earning husband and father was totally disabled.

In such instances, it seems to us that the term "social insurance" is a misnomer for what is more unsocial than to deprive widows and orphans of a social security benefit because the wage earner, as a result of his disability, lost his insurance coverage. All families where the wage-earning father remains in good health and able to continue his employment at least have a better opportunity to provide for their own furture needs than does the family where the wage earner is unable to work. Yet at the death of totally disabled men, many families are dealt another blow because their survivors insurance benefits are either extremely meager or nonexistent. The only resource for a large number of these families, especially those with small children, is to seek public assistance. This in itself defeats at least one of the original aims of the old-age and survivors insurance program—that of reducing public assistance rolls.

We are aware that H. R. 9366 does proposed a revision in the method of computing the average monthly wage. We refer to the proposal of disregarding the 4 years in which earnings were the lowest or were nonexistent. In families where the wage-earning parent suffers a temporary disability or a partial disability, this proposal would be of assistance but it would not be of major help for the family whose wage-earning parent was totally and permanently disabled. No doubt the proposal of disregarding the 4 lowest years would be of assistance for some qualifying for old-age insurance but it falls far short of the mark for the younger family who otherwise would not qualify for survivors insurance.

For these reasons, the American Legion urges favorable consideration of those proposals in H. R. 9366 which would provide a method for retaining wage credits for the wage earner when he becomes totally and permanently disabled.

Resolution No. 1, likewise adopted by the national executive committee of the American Legion at its April 29–May 1, 1953 meeting, calls special attention to the need of widows who are supporting minor children for relief from the limitations of the present $75 maximum on their earnings without a decrease in or loss of survivors insurance benefits to which they otherwise might be entitled. I am sure this committee has and will hear many arguments which favor the lifting of the present "work clause" limitation. Members of this Congress itself introduced some 50 or more bills during this Congress designed to eliminate or raise maximum earnings permitted while still remaining eligible for insurance benefits. We do not wish to unduly take up your time to listen to arguments you have

already heard. We do wish to point out, however, that as an organization the American Legion has always stood firm in its conviction that private initiative is desirable. Likewise in our child welfare standards, the National Child Welfare Commission of the American Legion has for many years believed that any intelligent program of security and service for the child and his family must be so designed as to safeguard the exercise of enterprise and initiative. We believe the limitation on earnings has a tendency to stifle this initiative by virtue of many widows being reluctant to sacrifice for their families the security of survivors benefits for the greater but more uncertain income from additional employment.

In behalf of children we should like to point out to you that the $75 maximum on earnings applies equally to the single person past 65, to the young widow with 1 child, and to the widow with many small children. Were survivors benefits sufficient in all instances to meet the high cost of living, there would be no valid reason for altering the "work clause" maximum. However, the only survivors insurance benefits available to many widows and their dependent children are based on the presumed average monthly wage of $160 of their veteran husband plus possibly a few years of employment when returned to civilian life and trying to get started in his chosen field.

Although our resolution calls for no particular method of providing relief for widows who are supporting minor children, we believe the principle of increasing the maximum on earnings as set forth in H. R. 9366 is sound. We believe this method not only puts the wage earner on the same basis as the self-employed but gives a widow an opportunity during seasonal employment to help provide for her family in a more adequate manner. Anyone who has raised a family recognizes, of course, that there are periods during the year when expenses are necessarily more heavy than at other times. The beginning of school, for example, frequently brings with it certain necessary expenses which are not of a continuous nature during the entire year. If we had any fault to find with this provision of the bill, it would be on the grounds that $1,000 earnings during the year when added to the average survivors insurance benefit, does not relate itself too favorably to the present cost of living. Especially is this true where a widow is left with several minor children for whom she is solely responsible. We do believe, however, that H. R. 9366 does provide a better and more liberal method of limiting the earnings of the beneficiary and would, therefore, urge that this provision be adopted.

Mr. Chairman and members of the committee, the American Legion through its National Child Welfare Commission, appreciates full well many of the complexities involved in our present social-security law and the care that is necessary to amend that law. We appreciate that total equity is a goal rather than a reality but we do believe that the changes on which we have presented our views would reduce some of the inequities in our present system. We want to thank you for the opportunity to appear before you and for the consideration which you have always given to the requests of the American Legion.

STATEMENT OF JOHN J. GOFF, PRESIDENT OF THE NEW JERSEY CIVIL SERVICE ASSOCIATION AND CHAIRMAN OF THE COMMITTEE OF ASSOCIATED PENSION FUNDS OF NEW JERSEY, RE HEARINGS PERTAINING TO H. R. 9366

To the Honorable Members of the Committee:

On April 8, I filed with the House Ways and Means Committee a lengthy statement pertaining to H. R. 7199, which bill has been renumbered and is now H. R. 9366.

The attitude of the many thousands of public employees whom I represented at that hearing has not changed. To reiterate what was said at that hearing would merely be repetitious because it is printed in the official records of the aforesaid hearing and is readily available.

However, at this time may we respectfully request that there at least be no weakening of the existing referendum clause of the bill and we strongly advocate that the section of the bill that states that it is the policy of Congress that there be no diminishing or impairment of existing benefits be incorporated in the bill in the form that it would be a part of the law rather than merely the policy of Congress.

I have been informed that representatives of national organizations, such as the National Conference on Public Employee Retirement Systems, with which the New Jersey Civil Service Association and the Committee of Associated Pension Funds are affiliated, will appear at the hearing, to testify verbally as to the opposi-

tion to certain sections of the proposed H. R. 9366. The New Jersey Civil Service Association and the Committee of Associated Pension Funds concur in the statements made by the representatives of the national conference, as well as the statements made by any representative of the Joint Committee on Public Employee Organizations.

May I respectfully request that this letter be made a part of the record of the hearing on the date and day that representatives of public employees are afforded an opportunity to testify.

PHILADELPHIA TEACHERS ASSOCIATION,
Philadelphia, Pa., June 25, 1954.

To the Senate Finance Committee, Washington, D. C.

GENTLEMEN: The public school employees' retirement system of Pennsylvania has been built up since 1919 on a basis that is recognized as being actuarially sound. At the present moment it represents invested capital conservatively estimated at over $400 million. It has a total membership of over 80,000. Each of the members of the public school employees' retirement system has a personal and financial stake in this system. Each feels his personal responsibility for continuing this system and its benefits not only to himself but to the educational system in which he works.

The members of the Philadelphia Teachers Association for whom we speak are concerned for fear that Federal social security may supplant our present fine retirement system or materially decrease the benefits it guarantees. It is for this reason that we address the Senate Finance Committee concerning H. R. 9366.

To have social security coverage H. R. 9366 provides that a majority of the eligible members must vote in a referendum and that at least two-thirds of those voting must be favorable. Under this plan the decision could be made by two-thirds of 51 percent of the membership.

Our association believes that H. R. 9366 should be amended to provide for a referendum which requires a two-thirds favorable vote of the total membership

The stated intent of this legislation is to broaden coverage to include members of existing retirement systems where such coverage is desired. Since this is true, there can be no sound reason for objecting to the inclusion of a referendum feature that includes the vote of the total membership. If the members of an existing system want such coverage because of its benefits, undoubtedly they will vote for it overwhelmingly.

Our association looks with favor on the benefits of social security to large numbers of our population. We ask only that any referendum included within the provisions of H. R. 9366 be of the type that will guarantee protection to members of strong, existing retirement systems.

This will mean that any modification must be made after an affirmative vote of at least two-thirds of the total members.

ELIZABETH R. HAAS,
President.
CATHLEEN M. CHAMPLIN,
Legislative Chairman.

MASSACHUSETTS STATE EMPLOYEES ASSOCIATION,
Boston, Mass.

To: Hon. Eugene D. Millikin, chairman, and members of the Senate Finance Committee.

Filed by: Paul J. Walsh, president, Massachusetts State Employees Association, Boston, Mass.

Subject: Social security extension to public employees (H. R. 9366).

The State employees of this Commonwealth and its political subdivisions have a vital concern and interest in the proposed amendments to the Social Security Act before the Senate Finance Committee on June 28, 1954.

The employees are confident their retirement systems will continue to exist as an integral part of an enlightened personnel policy, to attract and retain competent personnel in the public service, to induce career service, and to provide a systematic plan for the retirement of aged and incapacitated workers, which advantages to the public employer and to the public employee cannot be achieved under the Social Security Act.

Over the years, as members of contributory retirement systems, they have acquired valuable vested rights, equities, and expectancies, which would be jeopardized, impared, or diminished if not properly safeguarded. They are in full accord with the policy of the National Conference on Public Employee Retirement Systems, representing over a million and a half public employees, and with the insistence of the conference that any bill to amend section 218 (d) of the Social Security Act should include at least the following seven points as minimum safeguards for existing State and local retirement systems:

1. Assurance that the members of State and local retirement systems shall know what they are voting on in the referendum;
2. Total favorable vote of two-thirds of the eligible members;
3. Addition of a date to make the exclusion provisions more effective;
4. The continuance of total exclusion of firemen and policemen;
5. Determination of definition of coverage group by State legislatures;
6. Inclusion of a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced;
7. Inclusion of a provision that for any coverage group of public employees who are brought under social security coverage subsequent to effective date of said bill, the starting date for such coverage group for the computation of, and qualification for, benefits shall be a date not earlier than the first day of the calendar year in which they are brought under social security coverage.

It is appreciated that H. R. 9366 provides for total exclusion of firemen and policemen (point No. 4).

H. R. 9366 also has requirement in regard to the referendum, that at least 50 percent of the eligible members must vote, of which two-thirds of those voting must vote favorably, in order for existing public employee systems to be included in the extension of social security. This requirement is not satisfactory; public employees believe the total favorable vote in such referendum must be two-thirds of the eligible members (point No. 2).

In conclusion, we appreciate your kind consideration and support of the reasonable requests and requirements sought by State employees in order to prevent detrimental changes to existing State and local retirement systems.

THE RETIREMENT BOARD OF THE
POLICEMEN'S ANNUITY AND BENEFIT FUND,
City of Chicago, June 25, 1954.

SENATE FINANCE COMMITTEE,
Care of Mrs. Elizabeth B. Springer, Clerk of the Committee,
Senate Building, Washington, D. C.

GENTLEMEN: In the city of Chicago there are some 71,000 members of public-employee retirement systems. Ninety-five percent of this large membership feel that coverage of social security on the members of these retirement systems would sign the death knell for these funds. These members of the retirement systems have contributed to them for a long period of time and have built up substantial rights. They all have a voice by means of election of representatives in the management and administration of such systems. They all have certain rights in connection with disability from which they may suffer, either duty caused or otherwise. The retirement allowances that are payable by reason of long and faithful service greatly exceed in amount those permitted by social security. They feel that the coverage of social security in addition to their own coverage with a consequent increase in cost to the taxpayers would result in some form of tax strife and a consequent abolishment of their fund. The money that they would pay for social security and that their employer (the city of Chicago) would be required to pay would be something over which the City Council of the City of Chicago and the Legislature of the State of Illinois would have no control.

These members of retirement funds do not want a subsistent payment. They are proud of the retirement systems they now have and they want to keep them.

It is a matter of general knowledge that social security, over a period of years, has made great efforts to extend its powers and has been continually reaching out for more and more power, but those who administer social security do not have sufficient confidence in it to be members of it, but instead have their own retirement system.

One of the purposes of social security is to permit the flexibility in the movement of people from job to job with a subsistent level of maintenance after their ability

to work has ceased. This purpose is directly contrary to the basic idea upon which pensions are founded, which is to provide long and loyal service to one employee and not to provide a person with a subsistent level but to provide for them a form of deferred compensation to which they are entitled by reason of the long and faithful hours that they have served their employer at a, usually, lower rate of pay.

The members of these retirement systems in Chicago have agreed that the formula for membership by means of a compact is too loosely drawn in H. R. 9366 as it now stands, in that it requires only two-thirds of 51 percent or 34 percent of the membership of a fund to place the members of that fund under the coverage of social security.

It is respectfully suggested by the membership which I have the privilege of representing that compacts should be permitted for the benefit of those funds who are in a position where they can use or need Social Security, but that the formula for coverage by means of voluntary compact should be changed to require a 60 percent of vote of the entire membership of any pension fund in favor of such coverage. The fund that wants or needs social-security coverage will have no difficulty in securing such 60 percent vote, and this amount of vote would prevent thoughtless, greedy, or scheming persons from forcing coverage by means of a militant minority upon members of funds not wanting such coverage.

May I, as a representative of these members of retirement systems here in the city of Chicago and as a member of the executive committee of the National Conference on Public Employee Retirement Systems, respectfully request that a change be made in the requirement necessary to establish a voluntary compact to permit coverage of scial security as outlined above.

I respectfully request that this statement be made a part of the record in the hearings before the Finance Committee.

Very truly yours,

JOSEPH P. FITZGERALD,
Recording Secretary.

POLICEMEN'S PROTECTIVE ASSOCIATION,
Denver, Colo., June 26, 1954.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: As hearings are starting in your committee, in regard to H. R. 7199, it is our request that these statements become a part of the record as to our feelings in regard to the inclusion of firemen and policemen under social-security coverage.

At a meeting of the Denver Policemen's Protective Association, it was unanimously agreed that the same position be taken at the present time, in regard to inclusion of firemen and policemen under social security, that was taken on February 8, 1950, in regard to H. R. 6000.

Many of the men of our department have turned down better paying positions in private employment due to the fact that they have felt that the protection for their families, as well as themselves, is so well covered under our pension plan that it becomes a main incentive for them to stay on the job. We have a pension plan that was first established in 1904 and has stood the test of time.

With reference to H. R. 7199 having the inclusion of fire, police, and other pension groups, there is a stipulation that they must participate for a given period of time and attain the age of 65 in order to be able to get the benefits in full. The work of a police officer is such that, through experience, in Denver in the past years a charter amendment was voted on and passed, as of June 1, 1947, at which time the people realized that the greatest activity of a police officer was in the prime years of his life, mainly between the ages of 22 and 32, and the feeling is that due to the conditions of their work, after 25 years of service they should be required to retire.

Our pension plan was drawn up years ago, prior to social security, and the foresight of Mayor Speer of including a charter provision for retiring men after 25 years was a benefit to the community. Since then many changes have been made which have been of benefit both to the community as well as to the police officer.

At the present time a retiring police officer is eligible to receive one-half of the salary he has received during the preceding 12 months. He has paid a greater amount into the pension fund during the time he has been in service than he would in the social-security program. However, with the stipulations of 2 percent being

paid in 1954 and 3 percent in 1955, the social-security coverage would be far less than he would receive at the present time. Also, any officer that is injured in line of duty, whether it be after 1 day, 1 year, or 25 years of service, is eligible to receive a pension at one-half of his salary. Having our own pension plan is one of the main factors for the police department to get men of a higher caliber to take the civil-service position as he knows there is a certain amount of risk in his occupation and should he be injured, or killed in action, there is a provision for one-third of the salary in force as a pension to his widow and, also, a proviso for his children, until they have attained the age of 17, of $20 for the first child and $10 for each additional child. Under social security ,unless the widow has dependents, she is not eligible to receive any portion of the pension until age 65.

Statistics show that about 80 percent of both firemen and policemen die from heart ailments, due to the type of work that they are compelled to do. Nerve strain and heart reaction are shown very definitely when a man has served a period of 25 years. Although he is still a young man in years, physically he is a great deal older than a comparative employee of other enterprises. One of the factors that has increased the standard of the police officer in our community is a pension plan that is workable and has been proven through the years. The community has been able to hire men who otherwise, perhaps, would have earned higher salaries in other fields of work but felt that a pension plan such as ours was a greater asset than receiving dollars and cents daily.

There is also another factor that enters into our picture. We have approximately 200 people, including both policemen and widows, who are on pension at the present time. Should this bill compel us to be a part of social security, it would be very detrimental to them. They have not participated in social security and, therefore, at the depletion of the funds now on hand, what would their recourse be? As the answer we have received from social security in regard to this matter is, "That is your problem." Also, all of these officers for years have paid into this fund for the privilege of being a part of the retirement system, there would be no recourse for them in collecting any sort of a pension once Social Security was enacted. He has served the community to the best of his ability with the thought in mind that he would be retired on a pension when his years of service were spent. If the inclusion to cover firemen and policemen is allowed, he has no recourse of actually collecting from the city or State and also none whatever as he has not participated in the social-security program.

The average age of a policeman at the present time is approximately 27 years. Considering this, at the completion of 25 years of service this man is 52 years of age. What will he do during the time he has to wait for social security in order to get full coverage at 65. There are no provisos for this period of time. I am quite sure that most of you are apprised of the fact most of the crime that is committed is by youth, or the younger person, and, therefore, it is an essential factor to have the younger officer than after he has gone well past middle age. If the inclusion of policemen is forced under social security, it also forces the community to retain that individual until he attains the age of 65 and, as you know, any city or community must set up budget arrangements and the police officers that are allowed in any community are based on the amount that the community can stand through taxation. If this man has to remain until the age of 65, it is impossible to make additional employment for the younger man and, thereby, becomes a great detriment to the community as a whole having to raise the average age from 28 to roughly 55 or thereabouts.

As we stated in 1950, a police officer is well satisfied with the pension plan that is in force and I can assure you that it is one of the greatest assets for the community in getting applicants for this hazardous work. The incentive for the protection of himself, his wife and family, has great weight in whether a man seeks a vacation for the police position and if we were to be included under social security, I am sure that a great number of men who are qualified, and would be an asset to the community, can see no incentive for making application for the job.

Trusting that you will take our viewpoints into consideration and place on record that we are very much in opposition to the inclusion of firemen and policemen under the Social Security Act, I am,

Yours very truly,

IVAN ELDNER,
Secretary-Treasury,
Denver Policemen's Protective Association.

JUNE 26, 1954.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: As hearings are starting in your committee in regard to H. R. 7199, it is our request that these statements become a part of the record as to our feeling in regard to the inclusion of firemen and policemen under social-security coverage.

On Wednesday, February 8, 1950, a committee from Colorado, of which I was a part, testified and gave our statements for record in regard to H. R. 6000 in which we stated the following: "For 28 years I have been a member of the Denver Fire Department and I am now speaking for myself personally and as the duly accredited representative of the Denver Firemen's Protective Association and the Colorado State Firemen's Association, of which practically all firemen in the State of Colorado, numbering approximately 134 towns, cities, and fire districts, are affiliated."

At this time I have more than 32 years as a fire fighter and am now on pension and still representing these groups. I and my comrades are opposed to the inclusion of social-security coverage in H. R. 7199 for the following reasons.

We have no other quarrel with the proposed law. Our quarrel is entirely as we stated in 1950 that we think it is necessary that the firemen and policemen be excluded from social security for the following reasons.

1. Our present pension law has been efficiently operated since 1903 and many of our members have been paying into said fund as high as 40 years and more. I have been paying into said fund approximately 28 years. The payments herein mentioned were made with the understanding that, if and when we reach the age of 50 and have served a minimum of 25 years on the department, we would receive pension protection for the rest of our lives at one-half pay.

2. We have a hazardous occupation and many of our men are cut down in the very prime of life by falling walls, traffic wrecks, gas poisoning, etc. Our present pension law protects us against these hazards by granting a man so disabled a pension during the period said disability continues or for life as the case may be. Under the Social Security Act there is no such provision; there is no way of disability coverage.

3. At present we have over 200 men, women, and children on the pension rolls and, in most instances, the income from said pension is all that these people have to live on.

4. In the event social security is extended to public employees, the firemen mentioned in item 1 above would have to work 15 years longer than our present pension law requires, thereby increasing the average age of our firemen to a point whereby the department would be necessarily slowed down and efficiency decreased, which in turn would cause an increase in fire-insurance rates that would more than offset any savings the public might receive by placing us under social security. The average man lives about 10 years after he has retired. Therefore, to put firemen under social security would be a very good way of eliminating firemen's pensions altogether.

5. It is to be presumed that, if social security is extended to our group, the present pension law would be repealed as we do not assume for a moment that the city would increase taxes upon the citizens for the purpose of tacking on social-security benefits to our present pension benefits.

6. In the event social security is extended to our group, and our pension law is repealed, then the present retired members would be defeated of their rights to pension benefits and the widows and orphans would be thrown upon poor relief.

I might mention at this time I once sent a letter to the Social Security Board and asked them "In the event social-security benefits were extended to firemen, who would take up the gap between the age 50 and 65 in the event our law was repealed and social security extended to us?" Their answer was "That is your problem." Furthermore I asked them, "What would become of those who are now on the pension rolls?" Their answer was, "That is your problem." The very fact that it is our problem is the very reason that we are asking today to defend those who are on pension as well as those who have taken the position on the fire department for this protection.

7. It is true that provisions in H. R. 7199 are intended to protect groups such as mine from the very thing that I mentioned herein above but, unfortunately, we being city employees, operating under a different law entirely from that of other pensioned Denver city employees, we would, under said act, be a so-called covered group and, as such, could be outvoted by other city employees in the

event of a referendum. There are some 3,000 city employees in Denver, and there are about 900 firemen and policemen. The firemen and policemen at the present time are the only ones under civil service. The remaining employees, who at present are under social security, could very easily outvote our particular group.

8. In the event our funds require supplementing some time in the future, the authorities of increasing the fund could refuse assistance and thereby indirectly force our group and others within the city of Denver to vote favorably on the extension of social security to us.

9. The inclusion of firemen and policemen under the Social Security Act is compelling us to accept something which we feel we do not want as we have a pension plan which is satisfactory to all of us and one of the reasons that firemen, as well as policemen, take a civil-service examination for what is a hazardous occupation but feel that with the pension plan that we have, there is assurance of good protection. We are satisfied with our present arrangement and we respectfully urge you gentlemen to eliminate any thought of the inclusion of coverage in this bill.

The above facts are the same as they were in our testimony in 1950 and the feeling of all of the members, in both our city and in the State, is that we are well pleased with our own plan.

On behalf of the fire fighters of the State of Colorado, as well as the city of Denver, we wish to thank you for your consideration in regard to this matter.

Yours very truly,

Neil Horan,

Legal Adviser, Colorado State Firemen's Association, Denver Firemen's Protective Association.

Senator Carlson. The first witness this morning will be Mr. George Meany, President of the American Federation of Labor.

Mr. Meany. We appreciate very much your appearance here this morning. We are happy to have you here to testify in regard to this legislation.

Mr. Meany. Thank you.

STATEMENT OF GEORGE MEANY, PRESIDENT, AMERICAN FEDERATION OF LABOR

Mr. Meany. Mr. Chairman and members of the committee, I appreciate the opportunity to present the views of the American Federation of Labor with respect to the measure you have under consideration—House bill 9366, a bill to amend the Social Security Act.

The 10 million members of the unions affiliated with the American Federation of Labor and the members of their families have a vital and immediate interest in our Federal social security program. But beyond the confines of our union membership, every person in America who works for a living now is affected by the decisions that will be made with respect to these proposals and we have never been in the past and are not now indifferent to the welfare of these many millions of workers. We feel, therefore, that the bill before you is one of the most important proposals to be considered by this Congress.

The bill passed by the House of Representatives on June 1 in large measure embodies the recommendations of President Eisenhower for the extension and improvement of the old-age and survivors insurance system which pointed the way to a measure of progress while preserving and strengthening the sound concepts inherited from the past.

The President, in making these proposals, had before him the recommendations of the Secretary of the Department of Health, Education, and Welfare, which, in turn, embodied those of a group of consultants

broadly representative of business, agriculture, public welfare, labor, and the public. He had also the advantage of the recommendations developed by the advisory council to this committee, appointed some 6 years earlier by the distinguished Chairman of the Senate Finance Committee. The American Federation of Labor was represented on both these advisory groups and concurred in almost all of their major recommendations. A review of the proposals of the advisory council of 1948 indicates that, to a remarkable degree, the proposals set forth in the President's message, and now in so large a measure embodied in House bill 9366, represent the unfinished business of that council.

The contributions made by these advisory groups suggest the desirability of a similar group to develop a revised program for public assistance, consistent with the diminishing need for such programs which will most certainly result from the broadening of coverage and improvement in the benefit structure contemplated in the bill now before you. There will always be a need for a program of this kind, though it will certainly decline rapidly as the insurance programs meet more of the need. Until there has been an opportunity for a group of representative and informed citizens to develop their recommendations in this field, it is our belief that the present program should be continued as is provided in title III of this bill. We doubt whether a 1-year extension is sufficient, and would recommend that the present program be extended at least until September 1956.

The recommendations of the President have served to reassure the millions of working people in this country, whose future welfare is so closely linked to the future of the old-age and survivors' insurance system, that the system is safe in the hands of a new regime. For the President's program constitutes, first and foremost, a flat and unequivocal repudiation of the slanders and schemes advanced by the enemies of social security.

We regard it as a great and well-earned tribute to the handiwork of those who brought our old-age and survivors' insurance system into being—which, of course, includes distinguished Members of Congress, a number of whom are members of this committee that this administration should have so strongly reaffirmed the principles of the existing system as the basis of its policy in the social-security field.

Specifically, the President has endorsed the principle of contributory social insurance, under which benefits are earned as a matter of right, rather than of charity or largess, and whereby the dignity of the individual person is preserved. He has endorsed the principle that benefits should be related to, and based upon, past earnings and employment, and financed by joint employer-employee contributions to a self-sustaining fund, adequate to assure the long-term integrity of the program. And he has called for the preservation of the vital element of trust in the old-age and survivors' insurance trust fund.

As its enemies well know, social security in this country—where the concepts of individual dignity, responsibility, and self-respect count for so much—could not long survive the abandonment of those principles.

We are reassured and gratified to see them restated and reemphasized now in the recommendations that the President has submitted to the Congress.

In submitting the views and recommendations of the American Federation of Labor, I shall deal first with the question of the extension

of coverage under the old-age and survivors insurance program to employments not now covered. The President's recommendations and the bill originally submitted in the House were in full accord with the position of the American Federation of Labor in a resolution adopted by unanimous action of our last convention in September 1953, and in most respects these are retained in H. R. 9366.

In one significant respect this measure falls short of meeting the coverage proposals of our resolution and those of the President, which were recommended by the consultants' group to the Secretary of the Department of Health, Education, and Welfare. I refer to section 101 (a) (3), defining the basis of coverage for farmworkers. All are agreed that the present coverage is too limited and very cumbersome in administration, but this provision, in its attempt to simplify administration, does so at the cost of protection for about 1½ million workers, a very large proportion of whom are the migratory, intermittent workers who most need the protection of social security.

These people are vital to the processes of our increasingly mechanized agricultural production, but they are, for the most part, without the protection of any of our labor laws, including wage and hour legislation, workmen's compensation, and protection of the right to organize. We were hopeful that the provision for coverage of these workers as contained in the original House bill might represent the first step in meeting the needs of these truly forgotten people. We urge this committee to reincorporate section 101 (a) (3) as it was in H. R. 7199.

With this exception, the coverage proposals of H. R. 9366 are technically and administratively feasible and socially and economically desirable. We are aware that they do not provide universal coverage, in that there is no proposal to amalgamate the retirement system for employees of the Federal Government with social security. Nor is there any provision for combining the special system now in effect for railway workers with OASI. We believe it is to the advantage of workers in these categories of employment, for which the Federal Government has a long-recognized special responsibility, as well as in the public interest, to keep these systems separate.

Representatives of the American Federation of State, County and Municipal Employees, and of the American Federation of Teachers, both affiliated with the AFL, are presenting their views in support of the sections of this bill providing for extension of basic protection of OASI to employees of State and local governments.

We are in thorough agreement with their position, and urge the adoption of section 101 (h) in its entirety. We are also in agreement with the mandatory exclusion of service in any policeman's or fireman's position as set forth in paragraph (5) of subsection (h) and supported by the firefighters of the AFL.

The provisions of the social-security program cannot meet the needs of the workers in those types of employment because of the very special qualifications required by the nature of their jobs.

There are some miscellaneous small groups of workers who also should be covered under the social-security law. For example, the Architect of the Capitol hires a small number of building-trades mechanics as temporary employees during the course of the year. In their normal occupations these workers are covered by social security. They do not like to have their social security employment

records broken, as it could conceivably mean a lowering of their OASI payments when they retire. Rather than go into detail regarding this now, I should like to ask our staff people to take up th and 1 or 2 other instances with the staff members of your committee, as I am sure these technical problems can be readily worked out.

The provision for the dropout of 4 years of earnings for workers reaching retirement age with less than 20 quarters of coverage offers a simple solution for many of the technical problems that might otherwise be encountered in extending coverage. It does away with the need for any special new start provision for newly covered groups, and permits the retention of the starting date now in the act, without detracting from the benefits earned by these new groups. At the same time, the 5-year dropout gives to those with a longer record of participation in the system the advantage of some degree of protection against any future lowering of the average monthly wage because of periods of unemployment, disability or reduced earnings. We urge the adoption of this provision.

There are a number of provisions in H. R. 9366 which embody significant improvements in the benefit structure of the old-age and survivors' insurance system.

Mention has been made of the 5-year dropout provision which, in effect, permits the long-term participant in the system to avail himself of the equivalent of the new start provisions of the bill, plus one additional optional year.

The revised benefit formula contained in section 102 appeals to us as fair and equitable. It is noted that it relates benefits more closely to past earnings for those with average earnings between $100 and $350 per month than does the present law. This represents a portion of an adjustment which is long past due. In 1950 the major improvements in the benefit formula were for the lower-paid workers. If we are to keep a wage-related benefit system—which, incidentally, is the justification for financing benefits by payroll taxes—the benefits must be brought more nearly in line with past earnings for the higher-paid workers. The importance of this principle emerges also in considering the proposal to raise the earnings base from the present maximum of $3,600 to $4,200, as provided in section 104 of this bill.

The whole basis of our economy rests on the profit motive—which for the wage earner is the wage incentive. While the rewards of this system are not always in direct proportion to the economic contribution of the individual made possible by the application of his skill, his labor and his knowledge, they come near enough to it to convince most Americans that, on the whole, the system provides a better standard of living than would be available under any other system. I know there is no desire on the part of American labor to change the system, and we have, through the years, been opposed to any suggestions of a family wage or of shifting income to a needs basis. We view the old-age and survivors' insurance program as part and parcel of this system, and oppose on principle any tendency toward a scheme of flat benefits.

In order to preserve the wage-related benefit structure, it is obvious that the maximum yearly earnings on which contributions are collected and on which benefits are based must be high enough to include the total earnings of most, if not all, the workers covered under the system.

When the social security system was started, this objective was nearly met, as in 1938 the total earnings of all but about 6 percent of all the workers under the system were less than the $3,000 limit then in effect. But by 1950 some 57 percent of workers covered by OASI had yearly earnings above $3,000. By 1953, over 60 percent of all full-time male workers, and 44 percent of all covered workers were earning more than this amount.

The provision of this bill to raise the base to $4,200 would only restore the proportion of wages covered to about the level of 1949.

The amendments of 1950 did only half the job of restoring the relationship of benefits to past earnings. In order to cover the total earnings of the 94 percent of workers whose total earnings were covered in 1938, the maximum would have to be raised now to $7,500.

The American Federation of Labor proposes that, in order to maintain a realistic wage-related benefit structure, the maximum earnings base be raised now to at least $6,000 per year.

There are further provisions relating to benefits which, while they go beyond the modest proposals of H. R. 9366, the American Federation of Labor feels are necessary to provide anything like adequate protection to people retiring from active employment because of old age and to the survivors of workers who have died.

First, we propose that an increment of one-half of 1 percent be added to the primary benefit for each year the worker participates in the system. We feel this is justified as a matter of equity to those who have contributed over a period of years to the well-being of our economy and have also contributed greater amounts to the trust fund through payroll deductions. An increment factor was in the Social Security Act, but was removed in 1950. It is particularly important to maintain the concept of equity for the long-time contributors in view of the relatively liberal eligibility provisions made necessary when new categories of workers are brought into the system.

Second, when a worker continues in active employment beyond the age of 65, his primary benefit should be increased by an amount equal to 2 percent per year. This represents a delayed retirement credit in recognition of both the added contributions such individuals make to the system and the shorter periods during which they will draw benefits as compared with those who retire at age 65.

Third, the definition of wages for social security purposes as set forth in the Internal Revenue Code and section 209 of the Social Security Act should be amended so as to include tips. Since such form of remuneration is considered by both employers and employees as being in fact a part of the wage income in many occupations, there is every justification for including such earnings for social security purposes. We urge that section 204 of this bill be amended to meet this objective.

Finally, the average monthly wage on which a worker's benefits are computed should be based on his best 10 consecutive years of covered employment. The system would thus provide that a worker could insure his proven earning capacity. It would enable him to disregard the declining earning power of his later years. It would also provide a built-in factor designed to gear benefits to long-term wage increases, which are a function of a dynamic economy such as ours, characterized by steady increases in productivity.

The following table illustrates the benefits payable to a single retired worker under the present act, as compared with those proposed in H. R. 9366, and those payable if the proposals of the AFL were adopted. The comparative relationship of these illustrative benefits to past earnings is indicated by percentages.

Illustrative primary monthly benefits and their relationship to past earnings in present Social Security Act compared with those proposed in H. R. 9366 and with those based on A. F. of L. recommendations

Average monthly wages	Under present act		Under H. R. 9366		Under AFL proposal	
	Amount	Percent of wages	Amount	Percent of wages	Amount [1]	Percent of wages
100	$55	55.0	$55.00	55.0	$60.50	60.5
200	70	35.0	78.50	39.3	86.50	43.3
300	85	28.3	98.50	32.8	108.50	36.1
400	85	21.3	108.50	27.1	130.50	32.6
500	85	17.0	108.50	21.7	152.50	30.5

[1] Assuming 20 years continuous coverage.

Under the present act, under an average monthly wage of $100, the worker receives $55 or 55 percent. Under the proposed bill now before you from the House, the workers received the same amount, on the $100 basis.

Under the AFL proposal the increase would be to $60.50 or 6.05 percent. And the proposals follow all the way down taking the average monthly wage of two, three, four, and five hundred.

Under our proposal, the average benefit for $500 would come up to 30 percent as opposed to 21.7 of the House bill 9366.

Now, to return to the provisions of that bill we wish to record our wholehearted support of those provisions of section 103, which substantially liberalize the retirement test.

The American Federation of Labor has always supported the principle of a retirement test, though we find that this provision is one which very frequently has to be explained to our members. Our educational efforts over the years have been directed to explaining that OASI is designed as insurance against the risk of wage loss resulting from death or old age, and that participants cannot expect to collect benefits unless there is actually such a loss. We explain that a system providing assured annuities at a stated age would cost considerably more than this one does.

Furthermore, a retirement test is justified as an indirect protection to the wage structure—a factor not always taken into account by those who advocate its elimination as a "liberalizing" measure. Payment of benefits without substantial withdrawal from the labor force could prove an incentive to individuals to accept substandard wages.

It is our conviction, however, that the application of the retirement test should be realistic and practical. The proposal contained in this section, in our opinion, meets this test. By permitting annual earnings of $1,000 without any deduction, any incentive to accept substandard wages is removed, while at the same time encouragement is given older workers to engage in productive employment commensurate with the abilities of older people.

Canceling only a month's benefit for each unit of $80 earned in active employment in any month after the allowable $1,000 also removes from the wage earner the disadvantage he suffers under the present act as compared to the self-employed.

As I indicated at the beginning of this statement, our support of H. R. 9366 is based not only on the fact that it provides immediate improvement in benefits to those now receiving payments under the social-security program and the improved protection for the millions now employed, but equally on the fact that these provisions are consistent with the proven principles of our social-insurance system.

There is one respect, however, in which the bill now before you departs from basic principle. That is the provision of section 103 (i), which denies payment to an otherwise eligible dependent or survivor of an insured worker, except where such persons had recently resided in the United States. This affects relatively few persons, but it is a departure from principle that has no justification and would work particular hardship on dependents of workers residing in Canada while employed in the United States.

There remains one major provision of H. R. 9366 on which I wish to comment. I refer to the proposal to preserve the insurance rights of individuals with extended total disability as provided in section 106. As a minimum step toward providing protection to those persons unable to earn their livelihood because of long-term physical disability, we approve of this proposal.

Certainly it represents an improvement over the present act, which includes all the years of unemployment resulting from the disability in the computation of the average wage on which benefits at age 65 are based. We are also in sympathy with the provision that persons suffering from such disabilities be referred to appropriate rehabilitation agencies in all cases where there appears to be a possibility that the disabled can be restored to gainful employment.

Beneficial as these proposals are, they still represent the barest minimum of protection. In 1949, a bill passed by the House embodied a much more courageous and constructive approach to the problem. In that year, H. R. 6000 provided not only rehabilitation services to the totally disabled, but provided for the payment of monthly benefits. The Senate, however, removed this provision of the bill and substituted a program of aid through State public assistance agencies.

The 5 years' experience with this substitute has served only to demonstrate the advantages of the insurance approach over the public assistance approach, as the latter has been severely restricted by residence and means tests, by inadequate resources for restoring the disabled to gainful employment, by uneven adoption and implementation by the various States, and by the understandable reluctance of many afflicted individuals to apply for public charity.

There can be no question concerning the need for protection against the risk of physical disability among working people. Income loss resulting from permanent extended disability is a major economic hazard to which workers are exposed. The resulting economic hardship to the family is frequently even greater than that created by old age or death.

The family must not only face the loss of the breadwinner's earnings, but must meet the costs of medical care. As a rule, savings and other personal resources are soon exhausted. The problem of the disabled

younger worker is particularly difficult, since there are likely to be young children in the family and he has had no opportunity to acquire any significant savings. Social insurance provides the only practical and adequate method of preventing dependency from income loss resulting from this cause. The Federal Government is now operating programs providing such protection to employees of the railways and to the career Government workers. The argument that our Government cannot soundly administer such a program is proven false by its success in these fields.

It is not enough to say to the permanently and totally disabled worker, as does H. R. 9366 in effect, "If you can contrive to hold body and soul together during your years of incapacity until you reach age 65, we assure you payment of full retirement benefits."

In view of this great social need, and in view of its proven practicality, we respectfully, but most urgently, request this committee to incorporate in the measure now before you, provision for the payment of insurance benefits to the totally disabled as well as provision for rehabilitation services.

Finally, I should like to present our views with respect to meeting the costs of this expanded program. The American Federation of Labor has consistently held to the view that the social-insurance system should be soundly financed on a long-term basis. The workers in unions affiliated with the AFL have repeatedly expressed their willingness to pay their fair share of the costs of a program which affords them and their families real protection against the risks and hazards which accompany the economic system in which they earn their livelihood. They are not beguiled by the enticements of so-called pay-as-you-go schemes, as they recognize them as devices calculated either to hold down future benefits or to place an undue burden on younger workers who will come to retirement age in the years ahead.

We recognize that the additional increases in benefits and the addition of disability protection which we advocate would add to the costs. However, the proposed extension of coverage and the wage base maximum of $6,000, which we propose, would provide savings to the system. We estimate the net increased level premium cost of the proposals we have recommended would be not more than 2 percent of payroll. Accordingly, we recommend that the contribution rate be raised by one-half percent, to be paid by both employer and employee at the time the liberalizations we recommend go into effect, and that a similar 1 percent increase be added to each of the scheduled step-ups provided in the present act.

It is a significant fact that since the start of our social-insurance program, the actuaries and estimators have consistently underestimated the dynamic character and productive capacity of our economy. This is not to criticize their work or to minimize the importance of obtaining the most objectively prepared cost estimates by qualified professional people.

The actuaries have by no means been alone in underestimating America's economic potential. But the result has been a consistent overestimate of costs as represented by percentage of payrolls. Experience over the past 18 years seems clearly to indicate that we should continue to do the best long-range planning possible in this field, but

also provide for periodic review of cost estimates and benefit adequacy in relationship to current living costs and wages.

We therefore recommend that section 201 of the Social Security Act be strengthened in its purpose of maintaining the soundness of the trust fund by providing that, prior to each scheduled step-up in the contribution rate, an Advisory Council, broadly representative of employers, employees, and the self-employed covered by the act be convened for the purpose of reviewing both the adequacy of benefits in terms of current economic conditions and the status of the fund in relation to the long-term commitments of the program. Such Advisory Council should, by statutory authority, have made available actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare, and should have authority to engage nongovernmental technical assistance, including actuarial services as necessary. The Council should report its findings and recommendations, including recommendations for changes in the contribution rate to the Secretary of the Board of Trustees and the Board should be required to include the recommendations of the Council in its annual report to the Congress during the month of March preceding each scheduled rate increase.

In summary, while we urge the adoption of H. R. 9366, as it represents a significant improvement and strengthening of the social-security program, we very much hope that the deficiencies and shortcomings of this measure will be corrected in the bill finally reported out by this committee. We particularly urge the broadening of the program to include protection against disability.

We submit that the additions to the provisions of this bill which we have offered are essential and necessary to a social-security system worthy of a great and powerful Nation in a position of world leadership in the struggle of free nations against the dark forces of reaction and totalitarianism. The adoption of such a well-rounded system would do much to convince free men the world over of the respect in which we hold the individual by the aid it would afford his efforts to labor, to produce, and to support his family in decency, dignity and security.

Senator CARLSON. Mr. Meany, we appreciate very much that splendid statement. It will be very helpful to the committee and I appreciate very much personally the fine way in which you handled the recommended section for increased benefits while at the same time you realize fully that it might require additional costs and did not hesitate to recommend them.

Senator George, do you have some questions?

Senator GEORGE. Mr. Meany, I note that you do not think it would be necessary—I inferred, at least—to step up the contribution by the employer and the employee, in 1975, to the extent estimated by the House. Your recommendation would seem to indicate that it would not be necessary to do that, in your discussion of the 2 percent of payroll on the level-of-premium basis.

Mr. MEANY. We figure what we propose amounts to about the same in the long run as what is proposed in this bill.

Senator GEORGE. The maximum proposed under H. R. 9366, of 4 percent would amount to $168 a year for the employee and the same amount for the employer, if the wage base is left at $4,200.

Now, you propose to step this wage base up to $6,000, as a maximum, I believe.

Mr. MEANY. Yes; that is right.

Senator GEORGE. Now, if the ultimate tax rate proposed is 5 percent, then the employee earning $6,000 would be required to pay $300 a year and his employer a like amount.

Mr. MEANY. It goes up to 3¼ under the present act.

Senator GEORGE. I am speaking in dollars.

Mr. MEANY. I hadn't translated it into dollars.

Senator GEORGE. You had it in percentages and we figure it would go up to about 5 percent, in 1975. That would not be immediately, of course.

Mr. MEANY. That would be about the top.

Senator GEORGE. You don't advocate going beyond the $6,000 for the wage base at this time?

Mr. MEANY. No.

Of course, what we are trying to do, Senator, is relate the present wage system and the present dollar value to what we started out with 18 years ago. If you translate what we get and what we pay into actual purchasing power of the dollar, I don't think these proposals of ours would put us out of line with what that amount of money meant back in 1936, or 1937.

Senator GEORGE. It would be substantially the same or approximately the same.

Mr. MEANY. And, of course, the basis for this system is—well the principle back of it is that it is a proper charge against industry, itself. When we say industry, we mean both workers and employers, to provide for these hazards of the future, and we believe that the system should keep pace with the developments of the wage structure, and also of the cost of living, and, of course, our people have always taken the position that we should pay our share. Of course, that is the reason we advocated higher taxes, as we go on with this thing.

Senator GEORGE. Of course, if your wage base is raised as you recommend, it would strengthen the system also.

Mr. MEANY. Well, of course, you realize that the $3,000 limit brought practically everybody in, in 1938 but now, of course, the number of people who hit that limit—61 percent, and 44 percent, are all covered employments, while actually it was 94 percent that were in, back in 1938.

Senator GEORGE. I believe that is all, Mr. Chairman.

Senator CARLSON. Again, Mr. Meany, we appreciate very much your statement.

Mr. MEANY. Thank you very much for the privilege, Senator.

Senator CARLSON. The next witness will be Mr. Charles E. Sands, Hotel and Restaurant Employees and Bartenders International Union.

STATEMENT OF CHARLES E. SANDS, HOTEL AND RESTAURANT EMPLOYEES AND BARTENDERS INTERNATIONAL UNION, A. F. OF L.

Senator CARLSON. Mr. Sands, we are very happy to have you here this morning.

Mr. SANDS. Thank you.

I am the Washington representative of the Hotel and Restaurant Employees and Bartenders International Union, affiliated with the American Federation of Labor.

Mr. Chairman and members of the committee representing over 420,000 who are affiliated with our international union, with the American Federation of Labor, and with the Railway Labor Executives Association, I wish to thank the committee for the opportunity of presenting our views.

We subscribe wholeheartedly to the policy of the American Federation of Labor as presented to this committee.

I will not deal generally with all of the aspects of the proposed legislation; to do so would no doubt be a repetition and a waste of time.

I will confine my statement to one phase, the one that vitally affects many of our members, the inclusion of tips received by employees received with the knowledge and approval of employers in establishments where the receiving of tips has been for years the recognized custom. Social-security legislation was enacted to preserve the dignity of the workers who were unable to lay up enough for old age and to avoid that long, long walk over the hill to the poorhouse; yes, in order to eliminate the poorhouse altogether. Yet we find that millions receiving a part or in many cases most of their earnings unreported, untaxed for social-security purposes, yet taxed as income, meaning little credit accuring to these workers in the social-security fund.

The Congress has not eliminated the fear of insecurity from these millions and the long, long walk over the hill looms very vividly in the minds of workers.

Present sentiment seems to be more coverage, to have social security cover more people, remove the fear of old age from as many as possible. Gentlemen, may I point out that if the committee covers the millions now made in tips by the millions employed in establishments wherein the receiving of tips has long been the custom, you are but conforming to present sentiment and rendering simple justice to these workers.

Several years ago the Senate created a committee composed of men and women from all walks to study social security and needed legislation for improving, this committee recommended that tips be included reportable for taxes for social-security fund.

The present committee created by Secretary Hobby to study social security—this committee recruited from all walks—pointed out that tips would need to be included as wages in order to make protection complete for workers receiving parts of their remuneration in this form (see p. 5, Consultants Report).

It has been called to my attention many, many times the plight of widows and children whose breadwinner dies, and his credit in the fund is so small that even to bury him was the immediate problem because his tips, the major part of his income, were unreported and untaxed.

Senator Carlson. Mr. Sands, we appreciate very much your statement.

Senator George, do you have any questions?

Senator George. No; I have no questions.

Mr. Sands. Thank you.

Senator Carlson. The next witness is Mr. Gordon W. Chapman, American Federation of State, County and Municipal Employees.

STATEMENT OF GORDON W. CHAPMAN, AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

Mr. CHAPMAN. I am Gordon W. Chapman, international secretary-treasurer, American Federation of State, County and Municipal Employees.

Our union of public employees submits this report in support of H. R. 9366 generally and in particular we recommend the enactment without change of section 101 (h) of the bill.

In stressing support of this section, we emphasize as of particular value, paragraph (6) by the provisions of which it will become possible for legislative bodies to study problems of extension of coverage for presently covered groups during the years of 1955, 1956, and 1957, and agreements entered into during those years are permitted to be made retroactive to January 1, 1955. The language in H. R. 7199 would have greatly circumscribed, as to time, the freedom of action of our State legislatures.

Worthy of special mention from the point of view of public employees presently covered is the language added by paragraph (2) whereby the policy of the Congress is made clear to guide all State and local legislative bodies that there shall be no impairment of existing systems as a result of the extended uses of old-age and survivors insurance.

Paragraphs (4) and (8) will bring relief to hundreds of employees who, because of changes in their State or local acts or because of necessary interpretations of the Federal law, have been unable on the one hand to obtain coverage under the State or local act without special legislation therefor and on the other hand have been unable to acquire coverage under State-Federal agreement covering the coverage group to which ostensibly such persons belong.

We, as a union of public employees with jurisdiction limited to the States and subordinate units of government, accept as practicable the requirement in new paragraph (3) added by paragraph (2) of the bill whereby it will be necessary for a majority of covered employees in a coverage group to participate in an election. This requirement is protective and will not in our judgement retard the studied extension of old-age and survivors insurance to the public employee field. This particular requirement is tied in properly with the very old requirement which has been advocated and stressed by us for many years; namely, that of those participating in a coverage election a two-thirds majority vote will be necessary to obtain acceptance of a proposition.

The last feature of the new bill to which we have given emphasis above causes us to sound a word of caution to this committee not to yield to the professions of support from groups who have up through the years steadily opposed the extension of old-age and survivors insurance, but who now in the face of overwhelming support of such extension profess support for extension providing they can have written into the law a requirement that the vote by which extension of coverage may be acquired be an absolute two-thirds majority vote of eligible members of the coverage group. We charge that such persons know that it is generally impossible to draw into any kind of a contest which applies to large numbers of people two-thirds of all those who may be eligible to participate.

It is unnecessary for us to remind the Senators to whom these remarks are addressed that rarely in the elections in which they and

other public officials are elected and supported in their several positions do two-thirds of the eligible voters show the interest necessary to participate. How then, we ask, can these now converts to the idea of extension claim that we could draw into coverage elections not merely two-thirds of those who are eligible to vote but obtain in such elections a two-thirds majority vote of all persons eligible. The idea of incorporating such a gimmick in the provisions of the law or to incorporate in it other proffered requirements most of which have but nuisance value and are intended to restrict the actions of State legislatures by Federal Government edict should be disregarded by this committee.

The language of the bill before this committee in our studied opinion meets adequately the requirements in our field.

Thank you, Mr. Chairman.

Senator CARLSON. Are there any questions?

Senator GEORGE. In your opinion you feel it is optional whether the State enter into the agreement to bring in its employees in the system, the social-security system?

Mr. CHAPMAN. That is optional.

Senator GEORGE. Yes.

Mr. CHAPMAN. Yes, sir; with two-thirds vote of those participating. There must be a majority voting.

Senator GEORGE. There must be a majority voting.

Mr. CHAPMAN. Yes, sir. Two-thirds of the majority as the bill reads now.

Senator GEORGE. Of those voting and not those who might be eligible to vote.

Mr. CHAPMAN. That is correct.

Senator GEORGE. You do not favor that?

Mr. CHAPMAN. That is correct, sir. We favor two-thirds of those voting, not two-thirds of those eligible to vote.

Senator MARTIN. Mr. Chairman, as I understand—and I would like to have your opinion—in a State employees' organization, say there are 1,000 members. At least 500 must vote, and then it would be two-thirds of that 500, before it could become a part of the social security of the United States, is that right?

Mr. CHAPMAN. That is correct; that is my understanding.

Senator MARTIN. That is my understanding.

Senator CARLSON. If there are no further questions, we thank you, Mr. Chapman.

Mr. CHAPMAN. Thank you, Mr. Chairman.

Senator CARLSON. The next witness is Mr. Raymond J. Heath, National Education Association. Mr. Heath.

STATEMENT OF RAYMOND J. HEATH, CHAIRMAN OF JOINT COMMITTEE OF PUBLIC EMPLOYEE ORGANIZATIONS

Senator CARLSON. Mr. Heath, I wish to state the chairman regretted sincerely that he could not be here to hear your testimony but he was detained unavoidably this morning.

Mr. HEATH. Thank you, Senator Carlson.

Mr. Chairman and members of the committee, I wish to correct the impression that I am representing the National Education Association, as shown on the mimeographed sheet.

Senator CARLSON. The record will be corrected, I assure you, sir.

Mr. HEATH. I do come from an organization of employee organizations which is an informal group consisting of approximately seven national groups, speaking for employees, State and local, under existing retirement systems. I am acting chairman.

Those organizations are listed in my brief. The Municipal Finance Officers Association, the National Council on Teacher Retirement, the National Conference on Public Employee Retirements Systems, the International Association of Firefighters, Fraternal Order of Police and National Conference of Police Associations, through their joint committee are attempting to save your time and our time and present what we consider our points pertaining to this bill on which we are in accord. Some of these organizations will spend a few moments with you hitting points they are particularly interested in and confirming the fact that some of the points I make also are made for them.

We will confine our remarks to section 101 (h) which pertains to employees covered by State or local retirement systems.

First of all, we would refer to subsection 1 of the bill, H. R. 9366, which provides that employees covered by State or local retirement systems shall not be included in State agreements for old-age and survivors insurance if the retirement system is in existence on the date the agreement is executed or on the date H. R. 9366 is enacted, unless certain conditions are met as set forth in succeeding subsections.

The purpose of subsection (1) is to prevent the continuation of a practice that developed after the enactment of the social-security amendments of 1950; namely, coverage of public employees who had been under a State or local retirement system and thus ineligible for old-age and survivors insurance under the exclusion of 1950 by repealing the retirement system. Public employees would look with favor on the provisions proposed in subsection (1) of H. R. 9366 were it not for inclusion therein of an objectionable exception.

Two exceptions are: (*a*) Positions which are no longer covered by a retirement system on the date of the enactment and (*b*) positions excluded by paragraph (5) (A). The first exception is not the objectionable one since it is rumored that the social-security amendments will be enacted within the next few weeks, thus precluding opportunity for State action before that date. However, the exception by reference to paragraph (5) (A) means that fire and police retirement systems can be abolished and the members thereof covered by old-age and survivors insurance by what has been called the backdoor entrance to social security. Public employees as a whole, and fire and police groups in particular, object to this exception.

Therefore, to obtain the full support of the organized public employees for subsection (1), it would be necessary to have subsection (1) amended as follows:

In line 23, page 11, of H. R. 9366, strike out ", and" inserting after the words "clause (A)" a period; strike out line 24 on the same page and the words "(5) (A)" in line 1 on page 12 of the bill.

That is rather technical, but I believe that will fit into the bill as presently drafted.

The remainder of subsection (1) provides that the preceding conditional prohibition shall not be applicable to individuals in positions covered by a State or local retirement system if the individual is ineligible for membership in the retirement system. Public employees

have no quarrel with this provision. It makes an exception of positions excluded by paragraph (5) (A). This means that for fire and police groups, any who, as individuals, are ineligible for membership in the retirement system are nevertheless excluded from an agreement for old-age and survivors insurance. It is our understanding that the fire and police groups wish total exclusion from social-security coverage.

Subsection (2) declares the policy of Congress to be that retirement protection will not be impaired as a result of making an agreement to cover the positions under the retirement system by old-age and survivors insurance. Public employees wish that Congress could enact, instead of a statement of policy, some guaranty that retirement rights will not be impaired by the adoption of social-security coverage, but if a guaranty is impossible, public employees will rely upon the statement of policy and trust that it will have a curbing effect on those who seek to destroy State and local retirement systems and throw the tax burden on the Federal Government.

Subsection (3) provides that members of State and local retirement systems may be covered by an old-age and survivors insurance agreement if the governor certifies that certain conditions have been met, chiefly a referendum among the eligible voters. Public employees strongly urge the Senate to retain the referendum feature as a condition precedent to social security coverage of public employees who are members of State and local retirement systems. Specific aspects of the referendum requirement as set forth in subsection (3) do not satisfy public employees, but they are most of all concerned that the Senate not permit advocates of social-security coverage for public employees to influence the Senators to eliminate the referendum feature itself.

Organized public employees who are members of State and local retirement systems have taken the position that if a large majority of the members of any State or local retirement system wish to have social-security coverage, a way should be provided for them to obtain such coverage. The problem is to determine on a rational basis which groups of public employees desire social-security coverage and which groups are opposed to it. The referendum would find the answer to this question. Therefore, the referendum proviso is an essential part of the proposed amendments for public employees now covered by State and local retirment plans.

Although such public employees would have preferred additional conditions in connection with the referendum, they are willing to accede to the provisions now in subsection (3) with two exceptions. Paragraph (E) requires that a majority of the eligible voters vote in the referendum. Covered public employees believe that a simple majority is too low a proportion. Paragraph (F) requires that two-thirds or more of the voters vote in favor of social-security coverage. By combining paragraphs (E) and (F), the result is that a favorable vote of as few as 34 percent of the eligible voters could jeopardize the retirement rights of 100 percent of the membership. Public employees feel intensely about this matter.

The problem of educating voters in the 90 days between the notice of the referendum and the date the referendum is held, presents the hazards of misinformation and noninformation on the part of many voters. Participants may believe that an affirmative vote means

social security without a change in their retirement law. We would like to see on each ballot a summary of how social security coverage would affect the retirement system so that each voter can vote more intelligently. We feel that with only a low affirmative vote required and without a stipulation that the question be more specific than "excluded from or included under" a social-security agreement, the present proposed provisions permit holding a referendum before any coordination of social security and existing retirement benefits is planned, subsequent planning would be too late. We believe also that if a larger percent of eligible voters were required to vote affirmatively in the referendum, only good results would ensue. In that event, advocates of social-security coverage would present a plan of coordination before the referendum is held, thus advising eligible voters of advantages in voting affirmatively. Furthermore, we believe that those who propose the plan of coordination would be inclined to propose a "good" plan in order to obtain the favorable vote of the required large majority of the eligible voters; whereas, if only 34 percent of the eligible voters need vote affirmatively, the proposed plan of coordination, if any, could be kept under cover until after the referendum—or if disclosed, need not be such a good plan since surely 34 percent of the eligible voters could be sufficiently confused. If a plan of coordination of social security and retirement benefits is to be an improvement over the retirement benefits under any existing retirement system, an affirmative vote of many more than 34 percent can be readily obtained.

It is for these reasons that public employees urge the Senate to change paragraphs (E) and (F) to require that a higher percent of the eligible voters vote affirmatively to effectuate social-security coverage. Our proposal for change is to eliminate paragraph (F) entirely and amend paragraph (E) to read:

> Two-thirds or more of the employees eligible to vote in such referendum voted in favor of including service in such positions under an agreement under this section.

The second objection public employees raise to the provisions in subsection (3) is probably a drafting error. The word "any" in line 13, on page 14, of the bill should be stricken and the words "last previous" substituted therefor.

This sentence in which the word "any" appears provides that not more than one referendum can be held among the eligible voters of a single group each year—at least that is the apparent intent. However, close examination of the sentence reveals that a literal interpretation of the language indicates that the 1-year interval applies only to the first 2 referendums. If a referendum results in a negative vote, the second referendum cannot be held for 1 year. If the second referendum results in a negative vote, it would seem that the third referendum could be called with 90 days' notice thereafter since the third referendum would be 1 year and 90 days after the first referendum, thus meeting the conditions requiring the elapse of 1 year after "any prior referendum." As now in the bill, if the third referendum resulted in a negative vote, the fourth referendum could be called 90 days thereafter and each subsequent referendum would need only 90 days' notice since each, after the second, would be on a date more than 1 year after "any prior" referendum. We assume that this interpretation was not intended by those who drafted the bill;

nevertheless, this interpretation is possible, and it is hoped that the Senate Finance Committee will see that the language is corrected before the bill is reported out of the committee.

Subsection (4) meets the approval of organized public employees, except that therein is an example of what occurs at several points in the bill; namely, in line 20, on page 14, reference is made to an agreement made applicable to a retirement system.

The words "retirement system" should be changed to the word "positions" at all such points. As a whole, public employees do not wish social security coverage and have so expressed their opinions before committees of the House and Senate many times in the past 14 years. Among the rank and file of public employees is the fear that "social security will absorb their retirement systems." It does not dispel that fear—be it justified or not—to have the language of the Social Security Act refer to making such coverage "applicable to retirement systems."

Public employees endorse subsection (5) with special emphasis upon paragraph (A) pertaining to exemption of policemen and firemen. As mentioned above, fire and police groups feel very strongly in favor of being excluded from social security agreements.

Subsection (6), relating to statewide retirement plans covering different types of employment at different governmental levels, presents great difficulties to public employees in State and local retirement systems. In a situation where more than one employer is involved, the State may choose between two alternatives: (*a*) The employees in each political subdivision shall be considered a separate retirement system and the State employees in a separate retirement system also; or (*b*) all employees in the retirement system shall be considered in a single retirement system. There are no possibilities other than these two alternatives. Thus, a statewide teacher retirement system might be broken up into hundreds of little coverage groups—there are many school districts which are separate political subdivisions with 1 or 2 teachers.

There are situations where the attitude toward social security might differ with the size of city, with geographical location, and with type of personnel. Justification can be found for providing that the State, if it so desires, can divide a retirement system for the purposes of social security coverage; however, the division of the retirement system should be a matter for State discretion and not a Federal mandate.

Therefore, public employees urge that the lines 6 through 9 on page 16 of this bill be deleted and the following text be substituted:

> be a separate retirement system with respect to any political subdivision involved or with respect to any combination of such political subdivisions and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or any combination of the State and any one or more political subdivisions.

If this change is made, a State could treat metropolitan cities as one group and the rural areas of the State as another combined group; the State could provide differently according to city size, according to the number of teachers or other persons employed in each political subdivision, or according to any other combination of political subdivisions the State desires. Public employees feel this is an essential point and that the change suggested is important

I speak from experience on that point. I am a retirement administrator. We have some 1,200 school districts in our State in a com-

bined statewide teacher retirement system. As the bill is now written, they would have to be treated as part of our statewide system, including State, school, municipal, and judiciary, or, if they were to be separated at all, then each political subdivision, that is, each school district would have to be considered a separate unit for purposes of the referendum, and we would have some 1,200 fragments, if you will, of our particular school retirement system.

It would be all right to treat all of those as a unit, or it would be all right to treat our cities as separate units perhaps, but when we say, "All or none," it becomes administratively difficult, if not impossible.

Public employees are making no comment with regard to the amendments proposed in H. R. 9366 to amend section 218 (c) of the Social Security Act, pertaining to groups not presently members of State and local retirement systems.

However, regarding the suggested amendments to section 218 (f) on page 18 of the bill, with reference to effective dates of coverage under subsequent agreements, public employees wish to make the following statement: The limitation on the effective dates to which agreements may be made retroactive will force some public employee groups to take unwise action in order to take advantage of those dates. For example, if an agreement is not made until 1957, coverage cannot be made retroactive beyond January 1, 1956. Since the starting date for computing ultimate OASI benefits is January 1, 1951, public employees would be penalized in that event by losing credit from January 1, 1951, to January 1, 1956. They would have the advantage of the 4-year dropout years, of course, but these drop-out years should be saved for later in the working career of public employees. Practically all public employee retirement systems provide for retirement at age 60 or younger. If public employees are covered by social security benefits, they must save the allowable drop-out years to avoid penalties in their social security benefits when they retire under age 65. For this reason, public employees urge the Finance Committee to consider the insertion of a new subparagraph in subsection (6) on page 18 of the bill, or at any other appropriate place, to the effect that the starting date for any coverage group shall be not earlier than the first day of the calendar year in which the agreement is executed with the Secretary of Health, Education, and Welfare.

On behalf of the Joint Committee of Public Employees Organizations, which includes representatives of the Municipal Finance Officers Association of the United States and Canada, the National Council on Teacher Retirement of the National Education Association, the National Conference on Public Employee Retirement Systems, the International Association of Fire Fighters (AFL), the Fraternal Order of Police, and the National Conference of Police Associations, we most respectfully petition the Finance Committee and the United States Senate to grant our plea that these essential changes in the proposed legislation be effected in order to safeguard the retirement rights and equities of several million public employees.

I thank you gentlemen very kindly for the opportunity to present these matters to you. It has been a privilege, I assure you.

Senator CARLSON. Mr. Heath, we appreciate very much your statement. If there are no questions, the next witness is Mr. Nathan Yelton, chairman, National Council on Teacher Retirement.

STATEMENT OF NATHAN YELTON, CHAIRMAN, NATIONAL COUNCIL ON TEACHER RETIREMENT, NATIONAL EDUCATION ASSOCIATION

Senator CARLSON. You may proceed in any way you care to, sir.

Mr. YELTON. I am Nathan Yelton, chairman of the National Council on Teacher Retirement, which is one of the agencies of the National Education Association. I would like to say in the beginning I expect to eliminate approximately half of my statement, in the interests of time, but I hope you will have the opportunity to read it.

Senator CARLSON. Mr. Yelton, it will all be made a part of the record.

Mr. YELTON. The National Education Association, established in 1857, is an independent, professional association of teachers. It has a membership, by direct individual payment of dues, of 560,000 teachers and a combined membership, through its affiliated State and local associations, of 900,000 members. Teachers in all types of schools and colleges—public and private—are eligible for membership.

The National Council on Teacher Retirement was organized in 1924. It became a part of the National Education Association in 1936. It consists of 48 State and local retirement systems that send representatives each year to an annual meeting to formulate policies. The purpose of the national council has been and continues to be to discuss ways to disseminate information, and to take such authorized action as will strengthen, improve, and safeguard the retirement systems of which public-school teachers are members.

Since the national council has been a potent factor in the development of the existing teacher retirement systems, it seems appropriate that its officers and members should have a keen interest in social security. The council has had this interest for at least 17 years. During this period it has considered social security in relation to the teacher retirement movement; it has followed step by step the changes in the social security program; and it has considered the possible benefits and dangers of efforts to link social security with existing State and local retirement systems.

Our consideration of social security has not been an unthinking, emotionalized resistance to change or to new ideas. Rather, we have considered thoughtfully the cost of social security and existing retirement systems both to the individual employee and to the public employer. We have considered the political hazards associated with the processes of State and local government. We have given thought to the benefits as they are related to the needs of employees and the conditions of public employment.

We are happy to note that H. R. 9366 contains some of the safeguards which the national council and other public employees have advocated. We consider it very essential that these safeguards be maintained in the present bill despite any objections from employer groups or local and State governmental administrators. For the record, I should like to review these safeguards briefly:

1. We approve of the secret written referendum among the eligible members of each State or local retirement system.

2. The 90-day notice of a referendum is an essential minimum notice.

3. We completely endorse the statement of policy that Congress does not intend, through the extension of social security, to reduce the retirement protection of public employees.

4. We believe that referendums should not be held oftener than once each year.

5. We approve of Congress giving the governor and legislature of each State freedom of action, within certain bounds, with respect to the holding of referendums.

The foregoing safeguards are good as far as they go and we ask that they not be impaired by weakening amendments. There are, however, certain other safeguards which are not adequately set forth in H. R. 9366 or are omitted entirely. I should like to comment upon these.

1. It has long been the view of the National Council on Teacher Retirement that the benefits of a retirement system should not be changed without the approval of a substantial majority of the membership. H. R. 9366 now requires that there be at least a two-thirds favorable vote for inclusion in social security at an election where a majority of the eligible members have voted. This provision is a substantial improvement over the simple provision of "two-thirds of those voting" as contained in H. R. 7199. But we believe that the present vote requirement is not strong enough and we ask that it be changed to require that a favorable vote have at least "two-thirds of those eligible to vote."

We want decisions made by a clear majority. A two-thirds favorable vote by 51 percent of the eligible members would mean that a social security plan could be adopted by about one-third of the total number of eligible voters. That is not a large enough proportion for making a major decision.

It is our considered judgment that where any sound plan for retirement protection, including social security, is proposed, and where the proposed plan is desirable, there will be an overwhelming vote in favor of the proposal. A favorable vote by two-thirds of the eligible voters would, under such circumstances, be a certainty. Furthermore, by making the requirement a substantial proportion of the total membership, much distrust and suspicion would be alleviated. There are and will continue to be many public employees who are fearful of the effects of social-security extension upon the existing retirement systems; there are many public employees who think that the most ardent advocates of social security protest too long and too violently about the purity of their motives. Let's dispel these suspicions by requiring a clear-cut, majority vote. If anyone has a plan that is better than the existing retirement system in any State, then let him submit it to those affected and be willing to accept a majority vote of the eligible voters.

2. A second change that we would like to see in H. R. 9366 is that a requirement be inserted whereby the States will have to put before those voting, a definite plan or proposition. Under H. R. 9366 the States are required merely to submit the question: "Do you (or do you not) want social-security coverage?" This question is too simple. Nearly everyone eventually would like to have social-security coverage if he could retain intact the benefits of his present retirement protection and if he could have the total program at reasonable cost. However, we believe that very few States will pay fully for their present retirement systems and then take on social security as an additional

charge. Efforts will be made, as the seven States now coordinated indicate, to combine the costs in some way.

Again, we say that if the proposal is honest and if it is to give substantially better all-round type of old-age protection, then those who propose such a plan should be willing to describe it fully. The State or local government should be required by H. R. 9366 to prepare a comprehensive statement of any proposed plan and its probable effect upon the State or local retirement system. If this requirement is added to the bill, then the voters will be far more intelligent in their decisions; they will approach the issue with full knowledge of what they will get and will not get. Without such a requirement there may be feelings of distrust, or even of panic, which could result in a vote against social-security coverage even though a State had offered a generous plan.

Let us keep in mind that hundreds of thousands of teachers view H. R. 9366 with considerable skepticism. Despite verbal assurance, they are not convinced that the bill offers enough safeguards to existing State and local retirement systems. There are some who urge that strenuous efforts be made to obtain an exclusion amendment; only this time they would make the exclusion so safe that no State could circumvent its purpose.

The answer to those who feel this way is to retain and strengthen the safeguards now in H. R. 9366 and to add to the present proposed safeguards the two other major ones which I have mentioned. That is to say: (*a*) Require that any favorable vote be at least two-thirds of the eligible members of a retirement system and (*b*) require that the State or local government shall vote upon a clear-cut proposition which will indicate the nature and effect of any proposed new plan of retirement protection when associated with social security.

Finally, as a part of my testimony, I should like to include, but not read, certain resolutions adopted by the National Education Association, the National Council on Teacher Retirement, and the American Association of School Administrators.

Senator CARLSON. Your resolutions will be included and we appreciate very much your statement.

(The resolution referred to follows:)

I. NATIONAL COUNCIL ON TEACHER RETIREMENT RESOLUTION ON SOCIAL SECURITY, ADOPTED FEBRUARY 16, 1954

SOCIAL SECURITY

(1) Whereas the council recognizes that section 218 (d) of the Social Security Act, excluding from Federal old-age and survivors' insurance public employees in positions covered by a State or local retirement or pension system, has not prevented the repeal of retirement laws in several States;

Whereas the council further recognizes that social security is not designed to serve the purposes of a teachers' retirement program and also that current proposals to amend section 218 (d), if enacted by Congress, would not adequately protect retirement rights of members of existing systems;

The council therefore resolves that the legislative committee of the council expend every possible effort to have any Federal legislation considered by Congress with the intent of making OASI available to public employees include at least the following five points as minimum safeguards for existing State and local retirement systems:

1. Assurance that the members of State and local retirement systems shall know what they are voting on in the referendum.

2. Favorable vote of two-thirds of the eligible members, instead of two-thirds of those voting.

3. Addition of a date to make the exclusion provisions more effective.
4. Certain editorial changes so as to leave the question of definition of coverage group to State legislatures.
5. Inclusion of a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced thereby.

(2) Whereas the legislative committee of the National Council on Teacher Retirement has conferred with Members of Congress and the administration of the Federal Government with respect to the essential features of any amendments to section 218 (d) of the Social Security Act; and

Whereas the legislative committee is of the opinion that H. R. 7199 will probably be enacted during this session of Congress: Be It

Resolved, (1) That the national council expresses appreciation to the Department of Health, Education, and Welfare for acceptance in H. R. 7199 of the statement of policy and the cutoff date. (2) That the national council instruct the legislative committee to continue its efforts for the further improvement of H. R. 7199 prior to its enactment as law. (3) That this council urge retirement-system administrators, State education associations, and other interested groups when considering various types of coordinated benefits, to study and adhere, insofar as possible, to the principles defined in the report compiled by the research division of the NEA, issued in December 1953.

NATIONAL EDUCATION ASSOCIATION, REPRESENTATIVE ASSEMBLY, JULY 3, 1953

RESOLUTION 23

Teacher Retirement and Social Security: The National Education Association believes that properly planned and adequately financed State and local retirement systems serve best the requirements of the teaching profession.

If these systems are to be supplemented by Federal social-security provisions, the enacted Federal legislation and State laws should give unconditional assurance that the total retirement benefits will not be reduced below those now guaranteed by present law. Such supplementary legislation should be approved in advance by referendum by at least two-thirds of the active members of the existing State or local retirement system.

RESOLUTION NO. 11 FROM RESOLUTIONS AND PLATFORM OF AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS, RESOLUTIONS COMMITTEE, FEBRUARY 17, 1954

Retirement protection: The American Association of School Administrators believes that State and local retirement systems, when properly planned and adequately financed, are essential to the effectiveness of the teaching profession. If these systems are to be supplemented by Federal social-security provisions, the enacted Federal legislation and State laws should give unconditional assurance that the total retirement benefits will not be reduced below those guaranteed by present law. Such supplementary legislation should have the approval by referendum, in advance, of at least two-thirds of the active members of the existing State or local retirement system.

Retirement reciprocity: We recommend that there be continued study to the end that reciprocity among teacher retirement systems be achieved.

Senator CARLSON. The next witness will be Mr. A. A. Weinberg, chairman, Municipal Finance Officers Association.

STATEMENT OF A. A. WEINBERG, CHAIRMAN, MUNICIPAL FINANCE OFFICERS ASSOCIATION

Mr. WEINBERG. Mr. Chairman and members of the committee, I have a prepared statement which I would like to have made a part of the record. It will be submitted to the Secretary of the committee.

Senator CARLSON. Mr. Weinberg, it will be made a part of the record.

(The statement referred to follows:)

STATEMENT OF A. A. WEINBERG, CHAIRMAN, COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION OF THE MUNICIPAL FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA

My name is A. A. Weinberg. I represent the Municipal Finance Officers Association, as chairman of its committee on retirement administration. The association is a professional and service organization governed by more than 2,500 active public officials representing various member governmental units. It is concerned with current and practical problems in the field of governmental finance and accounting. Its membership includes a number of persons identified with the direction and operation of retirement systems for public employees.

The association favors a modification of section 218 (d) of the Social Security Act to permit the States and local governments to extend old-age and survivors insurance coverage to members of local retirement plans. It subscribes to the principle of local option and believes each political subdivision should have the right to make its own decision on the question of social security coverage for its employees. House Resolution 9366 reflects this principle. It eliminates the present mandatory exemption applicable to members of existing retirement systems, which is unrealistic and impractical. The bill would make it possible for the states and local governments desiring to do so, to revise their retirement programs taking into account Federal social security benefits.

Under the bill, the approval of the members of a retirement system to extension of coverage would be required by means of a referendum to be held among the contributing members of a system. This method is fully justified considering the important vested rights, equities, and expectancies acquired by the employees under existing plans over a period of years.

This referendum provision is in accord with the stated policy of the association, with two exceptions:

1. It fails to stipulate that the plan of coverage on which the employees are to vote shall be clearly defined in the referendum.

2. The measure of approval by the members of a system is given as two-thirds of the persons voting, instead of two-thirds of the contributing members of the retirement system.

If the members of a system are to vote intelligently on the question of coverage, the employees should be fully informed on the issue on which they are asked to vote. The bill should be amended to provide for this requirement.

The Federal Social Security Act now requires the approval to coverage of employees of non-profit organizations in services which are exempt from Federal income taxes under section 101 (6) of the Internal Revenue Code. In the provisions applicable to these employees, the measure of approval for initial coverage is two-thirds of the members affected by coverage. There exists, therefore, a precedent to the proposal that the measure of approval under the referendum plan applicable to public employees be a substantial majority of the members comprising the group for whom coverage is to be provided.

Representations will no doubt be made before your committee that a requirement for approval of coverage by two-thirds of the members of a retirement system, would foreclose social security coverage for some groups. In my opinion there is no validity to this view. A coordinated plan, properly formulated, can be made sufficiently attractive to gain the support of all classes of members of the system, including those with long service who have large accumulated equities.

Because of the fundamental differences between public and private enterprise and the absence of similar motivating factors, it cannot be expected that the experience of industry in establishing a large number of supplementary plans will be duplicated in public employment. However certain governmental units will probably undertake coordinated plans with social security as base coverage. If properly conceived and presented, these coordinated plans should receive the support of the great majority of the members of the retirement systems subject thereto. In the several States and municipalities where social security has heretofore been extended to members of local plans by the back-door method of repealing the local plan, extending social security coverage, and reenacting the local plan on an adjusted basis, the support for the combined program on the part of the employees has been overwhelming.

H. R. 9366, with the two amendments that we are suggesting, should be acceptable to the great majority of members of existing retirement plans. If enacted in this form, this most vexing problem, which has been before us for so many years, will then have been satisfactorily resolved in accord with the policy enunciated in the bill, that "the protection afforded employees in positions covered under a retirement system * * * will not be impaired."

Mr. WEINBERG. My name is A. A. Weinberg. I am speaking for the Municipal Finance Officers Association of the United States and Canada, as chairman of its committee on the subject of public employee retirement.

The association is a professional and service organization consisting of more than 2,500 officials of States and local governments and includes a number of persons who are active in the operation of retirement systems for public employees.

The amendment contained in H. R. 9366 pertaining to public employees who are members of existing retirement systems is in accord with the policy of the association. The requirement for a referendum among the members of a retirement system, for approval of social-security coverage, finds precedent in the present provisions of the Social Security Act. Such a plan is now provided for employers of nonprofit organizations in services which are exempt from Federal income taxes under section 101 of the Internal Revenue Code. This provision was enacted by Congress in 1950. The association is in full agreement with this referendum feature in H. R. 9366. Why? Because the extension of social-security coverage to public employees presently members of a retirement system would involve a major change in their status and would directly affect their accrued rights, equities, and future expectancies under existing systems.

These are of substantial value to them, having been earned over a period of years. They should therefore be given the privilege of passing upon any revisions in their present benefits for which the employees have made substantial contributions.

The referendum plan, however, needs strengthening in two respects: If the members are to vote intelligently on the question of social-security coverage, the issue should be clearly set forth and the proposition presented to the employees.

The bill, therefore, should stipulate that the plan of coverage on which the employees are to vote shall be clearly defined in the referendum proposal.

Secondly, the measure of approval by the members of the system should be a substantial majority of the contributors. That is at least two-thirds of the contributing members rather than two-thirds of those voting. This is necessary in order to have a positive expression from all classes of employees comprising the membership of the retirement system.

Many of the municipal services have a number of short-term employees—these people for the most part would favor social-security coverage and would vote for any plan presented to the employees regardless of merit even if the action called for a repeal of the local system.

To protect the employees with long-term service, the requirement for the measure of approval of coverage should be at least two-thirds of the active members of the system.

H. R. 9366, with the two modifications which we suggest, should receive the support of the great majority of the members of the present retirement system. We believe that the bill with these two changes will make possible an orderly and equitable procedure in the adjustment of local retirement systems to include social security as base coverage, in the case of those States and local governments desiring to exercise the option extended by the bill. Adequate pro-

tection would then be granted to all classes of members of existing systems in accordance with the declaration of policy now embodied in the bill and which I should like to quote.

On page 12 of the bill, it is provided that—

It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection, that the protection afforded employees in positions covered by a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof.

Thank you.

Senator CARLSON. We appreciate very much your statement and we thank you.

The next witness is Mr. Newell Walters, chairman, National Conference of Public Employees Retirement Systems.

STATEMENT OF NEWELL B. WALTERS, NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Mr. WALTERS. Mr. Chairman and members of the committee, with your permission I will not read the prepared statement that I have, but will request that it be made a part of the record.

Senator CARLSON. Mr. Walters, we appreciate that very much.

(The statement referred to follows:)

NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS,
June 28, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

GENTLEMEN: I am Newell B. Walters, chairman of the National Conference on Public Employee Retirement Systems, representing over a million and a half public employees including municipal, county, State, and Federal employees, school employees, firemen, and policemen. The national conference has no partisan purpose. We are committed to no class or special group. We stand for the protection of the rights of the majority of public employees who seek protection in old age through the annuities and pensions legitimately earned by long years of faithful, public service.

Since 1942 representatives of the National Conference on Public Employee Retirement Systems have appeared before the appropriate committees of Congress and urged that in any extension of social security the rights and equities of public employees under existing retirement systems be protected to the fullest. As recently as April 8, 1954, Mr. Ward Ashman, executive secretary of the School Employees Retirement System of Ohio and chairman of the legislative committee of the National Conference on Public Employee Retirement Systems appeared before the Committee on Ways and Means of the House of Representatives and presented the position of the national conference. Let me urge each member of the committee and of the Senate to examine carefully this statement which appears on pages 321 to 331, inclusive, of the hearings before the Committee on Ways and Means on H. R. 7199.

The official position of the national conference established at its annual meeting in Los Angeles, Calif., May 21, 1954, is as follows:

"NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

RESOLUTION PERTAINING TO SOCIAL SECURITY EXTENSION, ADOPTED MAY 21, 1954

"Whereas the extension of social security to public employees under existing retirement systems has been a matter of intense interest and a subject of a number of conferences and meetings pertaining to possible means of amending section 218 (d) of the Social Security Act in such manner as will protect the rights and equities of public employees under such retirement systems; and

"Whereas the said subject is now being considered by the House Ways and Means Committee of the 83d Congress; and

"Whereas the national conference continues to be concerned with the preservation and promotion of sound existing public employee pension and annuity systems; and

"Whereas the members of the national conference are confident that public employee retirement systems will continue to exist as an integral part of an enlightened personnel policy, to attract and retain competent personnel in public service, to induce long career service and to provide a systematic plan for the retirement of aged and incapacitated workers, which advantages to the employer and to the employee cannot be achieved under the Social Security Act; and

"Whereas over the years members of contributory retirement systems have acquired valuable vested rights, equities, and expectancies which would be jeopardized, impaired, or diminished if not properly safeguarded: Now, therefore, be it

"*Resolved*, That the National Conference on Public Employee Retirement Systems in annual session at Los Angeles, Calif., this 21st day of May 1954 hereby reiterates its declaration that any change in the Social Security Act contain strong and proper dafeguards to insure the continuance of adequate retirement plans at State and local levels, with exemption of covered groups not predominately desiring social-security coverage; and further that existing rights and benefits under State and local plans shall not be in any manner dominished or impaired; and be it further

"*Resolved*, That the national conference maintain its position for total exclusion from social security of firemen and policemen who now have an established retirement or pension system; and be it further

"*Resolved*, That the National Conference on Public Employee Retirement Systems hereby reaffirms and ratifies the position of the joint committee of public employee organizations; that any Federal legislation extending social security to public employees under existing retirement systems shall contain the following safeguards and limitations:

"1. Assurance that the members of State and local retirement systems shall know what they are voting on in the referendum;

"2. Total favorable vote of two-thirds of the eligible members instead of two-thirds of those voting;

"3. Addition of a date to make the exclusion provisions more effective;

"4. The continuance of total exclusion of firemen and policemen;

"5. Determination of definition of coverage group by State legislatures;

"6. Inclusion of a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced.

"7. Inclusion of a provision that for any coverage group of public employees who are brought under social-security coverage subsequent to effective date of said bill, the starting date for such coverage group for the computation of, and qualification for, benefits, shall be a date not earlier than the first day of the calendar year in which they are brought under social-security coverage;

"8. Unless H. R. 7199 (now numbered H. R. 9366) is amended to contain all of the safeguards set forth above, the executive and legislative committees of the national conference are instructed to seek amendments to said bill for the purpose of deferring until a subsequent session of Congress, the proposed removal of the present exclusion provisions set forth in 218 (d) of the Social Security Act."

It is noted that H. R. 9366 contains some of the safeguards listed above as follows:

1. The addition of the date to make the exclusion provisions more effective for all public employees except firemen and policemen.
2. The bill continues the total exclusion of firemen and policemen.
3. There is included a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced. While we are most appreciative of the inclusion of these safeguards it is our opinion that these alone are insufficient. We therefore request that there be placed into the legislation the remaining safeguards as listed above.

POSITION OF THE JOINT COMMITTEE OF PUBLIC EMPLOYEE ORGANIZATIONS

The Joint Committee of Public Employee Organizations has indicated that any Federal legislation making OASI available to public employees must include

at least the following six points as minimum safeguards for existing State and local retirement systems:

(1) Assurance that the members of State and local retirement systems shall know what they are voting on in the referendum;

(2) Total vote of two-thirds of the eligible members instead of two-thirds of those voting;

(3) Addition of a date to make the exclusion provisions more effective;

(4) The continuance of total exclusion of firemen and policemen;

(5) Determination of definition of coverage group by State legislatures;

(6) Inclusion of a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced.

GUARANTY OF BENEFITS

It is the belief of the national conference that the above safeguards are absolute minimums. The national conference further believes that the least the Congress can do to assure that there will be no diminution or impairment of existing rights and benefits and insure the continuance of adequate retirement plans at State and local levels, is by retaining the declaration of policy to that effect which is included in H. R. 9366. We would like to see this policy implemented by further positive mandates incorporated in the new legislation.

INTELLIGENT VOTING REQUIRES ADEQUATE INFORMATION

We recognize and appreciate the fact that in H. R. 9366 a statement of policy and a cutoff date have been included. We also appreciate the fact that the bill contains a referendum requirement for coverage by OASI of public employees in positions covered by State and local retirement systems. We do believe, however, that Federal, State, and local officials should not object to taking one more step to assure public employees that they can vote intelligently in such a referendum. Intelligent voting is an objective of the American way of life. Opposition to this principle must of necessity be interpreted as a desire to mislead the voters, asking them to vote in ignorance of the issue. Therefore, public employees have asked:

(1) That State or local officials be required to give notice through a comprehensive statement of the plan of coordination and its effect on the State or local retirement system; and

(2) That the ballot, which may then be a simple question, identify the plan of coordination announced in the previously given notice.

It is possible that the prospects of obtaining social-security coverage would be better if a plan were announced in advance of the referendum. Without such preliminary information the ensuing uncertainty among public employees might result in a negative vote because the issue was not properly explained and fully disclosed.

A statement of purpose and plan is no more than the requirements commonly found in State constitutional and statutory provisions regarding the referendums on other types of public issues. It is a general practice to educate voters with regard to critical matters placed on a ballot even when this education is a part of a political campaign. State and local considerations of OASI coverage and its effects on existing retirement systems should be kept out of partisan politics. Whether or not information on the social-security referendum is to be provided should not be left to the whims of political parties. The least the Federal Government can do is to require that before public employees vote on OASI coverage they should have official information on the plan and facts under consideration.

NO EXTENSION OF OASI WITHOUT THE CONCURRENCE OF A SUBSTANTIAL MAJORITY OF THE FULL MEMBERSHIP

H. R. 9366 would require that at least a majority of the eligible voters must vote and affirmative vote of at least two-thirds of the voters is required to make possible social-security coverage. This question is the primary issue upon which public employees and public officials are not in agreement. Public employees believe that the benefits under a retirement system should not be changed without the approval of a majority of the total membership. The only way public employees have discovered to accomplish this is to require a favorable vote of a substantial portion of the full membership. Opposition to requiring a favorable

two-thirds vote of the eligible voters rests on the assumption that it would constitute an insurmountable obstacle to those who desire OASI coverage. This is not necessarily true. Usually on any issue if a large proportion of the eligible voters want a change they will go to the ballot box to get it. Eligible voters who want the status quo to continue are less likely to vote. Since the question of OASI coverage for public employees in existing retirement systems has been a controversial issue for many years, every effort must be made to assure that no extension of OASI will be made to a group without the concurrence of a substantial proportion of the membership.

If a proper plan is presented to the employees providing for minimum coverage under social security with supplemental benefits on a basis which would give the employees overall benefits at least equal to those previously provided should be an overwhelming vote in favor of the proposal. It is to the interest of the Federal Government as well as the local governments to have an expression by at least two-thirds of the eligible members. This, together with the statement of policy found in H. R. 9366 will alleviate a criticism generally directed toward the Federal level that attempt is being made to bring about dissolution of local systems. The suspicions which now exist among local government employees would be dissipated. Any other major choice would react against the Federal policy for universal coverage because employees would view such a plan with distrust and suspicion.

DETERMINATION OF COVERAGE GROUPS BY STATE LEGISLATURES

The determination of coverage groups should be left to the States. It is believed that it is the intent to permit each State to make its own determination of what is a coverage group since it is well recognized that the membership of retirement systems differs from State to State and from system to system. Some retirement systems cover only a particular group of public employees, such as teachers or policemen. Others cover all public employees of the state. Between these extremes are those systems that cover some or all of certain specified categories of employees. The State should decide whether or not each political subdivision covered in the retirement system is to be considered a separate coverage group and whether or not all employees of a particular category are to be considered a single coverage group. Other variations cannot be equitably decided by any detailed prescriptions in Federal law. The States should make these decisions. Obstacles to a far and equitable extension of OASI coverage could evolve from a determination that all employees of a classification are a single coverage group—that each political subdivision is a separate coverage group—that all members of a retirement system are a single-coverage group regardless of classification or that all political subdivisions form a single-coverage group or a particular employee classification or for all classifications. In other words, any one of these and other possible determinations applied in some States could defeat the referendum for OASI coverage. Therefore the issue must be left to each State individually.

Enabling legislation already enacted in many States has required the State Governor to appoint a State officer as a social security administrator In some States the social security administrator is a person who may be opposed to OASI coverage for the members of the retirement system. The determination by such a person as to what constitute a coverage group could conceivably destroy the effectiveness of the opportunity for a favorable referendum. In other States, the social security administrator is unfamiliar with the purposes and accomplishments of State and local retirement plans and is not in sympathy with that type of program. The decision of such a program could conceivably destroy the organization of the retirement system by gerrymandering the membership for the purpose of the referendum. Thus, in either case the personal bias of an individual or a small group enters into the result. For this reason it is desirable to place the responsibility with State legislatures representing the will of all the people.

STARTING DATE FOR PUBLIC EMPLOYEE COVERAGE

There should be included in the bill a provision that for any coverage group of public employees who are brought under social security coverage subsequent to the effective date of H. R. 9366, the starting date for such coverage group for the computation of and the qualifications for benefits shall be a date not earlier than the first day of the calendar year in which they are brought under social security coverage. We believe that the inclusion of this provision is important first of all to prevent hasty and hurried decisions, decisions forced upon em-

ployees without ample time to evaluate the effect of the extension of social security, either by integration, supplementation or coordination, upon present retirement plans.

We further believe that the failure to include such a provision is discriminatory legislation because the 4-year dropout now provided in the bill would be lost to the public employee coming under OASI coverage after January 1, 1955. This 4-year period would be consumed by the time from January 1, 1951, until the entering into the compact with social security. Employees of all types now under social security are privileged to drop out any 4 years during their period of social security coverage. It seems to us, then, that the same privilege of dropping out 4 years, which was designed primarily to increase the amount of the benefit, should be extended to public employees who may later come under social security coverage. We do not believe that they should be penalized because of a desire to protect the rights and equities which they now have under existing retirement systems.

ALTERNATE ACTION

Unless H. R. 9366 is amended to contain all of the safeguards as set forth in the resolutions adopted by the national conference, it is our belief that the bill should be amended for the purpose of deferring until a subsequent session of Congress, the proposed removal of the present exclusion provision set forth in 218 (d) of the Social Security Act. It is our opinion that the present exclusion provisions should remain a part of the act, unless and until adequate safeguards and limitations are included in the bill. Inclusion of only partially adequate safeguards might in the long run result in less protection than the present exclusion.

SOME OBSERVATIONS

In addition to the statement of our official position and some of the reasons why we are concerned about at least the minimum safeguard, there are other observations which we would like to make. We have heard it said, and it may be testified, that the fact that Virginia and Utah for example have adopted social security for public employees and supplemented that coverage with their local system indicates a trend or desire on the part of other States to do so. Our examination of the facts in such States indicates very poorly planned preexisting retirement systems and lack of confidence of employees in such systems which have resulted in effect a substitution of social security for part of the preexisting retirement program. We are here to emphasize that there is no desire on the part of public employees in States where adequate and sound retirement systems are found for the addition or substitution of social security to existing coverage—no desire on the part of public employees in States where adequate and sound retirement systems are found for the addition of social security to existing coverage or substitution of social security for existing coverage. The very threat of social security results in undermining the orderly development and operation of such existing systems with the result of lowered employee morale in the public service.

In such States where supplemental programs have been adopted there is alleged to be a reduction in retirement costs to the taxpayer. Examination of these plans, however, indicates an overall, longtime increase in costs by such methods. In view of these longtime disadvantages which would have an unfavorable effect upon the interests of public employees, we deem it essential that the stabilizing effect of the referendum requiring approval by at least two-thirds of the members of any coverage group is essential to the continued protection of such employees.

We note with interest that the recently revised retirement plan for Members of Congress and its employees follows a policy of improving an existing retirement program rather than developing a hybrid creation by grafting social security on a preexisting plan. Gentlemen, we plead that public employees have the same right and the right to determine the relative advantages of such changes at the local level by a referendum guaranteeing approval by an affirmative vote of a substantial majority of the members. By this we mean by at least two-thirds of the members in the covered group.

SUMMARY

In conclusion, we wish to emphasize that we are in support of the recomendations of the Joint Committee of Public Employee Organizations and we request that any change in the Federal statute contain proper and strong safeguards to insure the continuance of adequate retirement plans at state and local levels with exemption to covered groups not predominately desiring social security

coverage and that existing rights and benefits under local and State plans shall not in any manner be diminished or impaired. We further ask that policemen and firemen who now have an established retirement or pension system be excluded from all social security legislation. We further request that the proper safeguards and limitations in case of extension of social security to public employees under existing retirement systems be the guaranty that no diminution or impairment of present rights or benefits—that an adequate referendum of not less than two-thirds of the membership of the respective retirement systems—that action be initiated within the covered group—that the constituency of covered groups be determined at the State or local level—that the right of covered individual action in case of violation be included in any changes in the Federal law—and that the starting date for public employee coverage be not earlier than the first day of the calendar year in which they are brought under social security.

Mr. WALTERS. I would like to comment briefly on certain points contained in my statement.

The National Conference on Public Employee Retirement Systems is in support of the position of the Joint Committee of Public Employee Organizations which has been previously outlined by Mr. Heath.

The fact that I am not going to comment on each and every one of the points of the joint committee and the position of our organization does not mean that we do not consider all points important. There are others on the agenda, today, that I am sure will be better able to give you information on some of the points than I.

Senator CARLSON. Mr. Walters, we appreciate very much that statement of yours. Your statement will be made a part of the record and in view of the time, we greatly appreciate it.

Mr. WALTERS. Thank you.

The most important point it seems to me of those listed is the matter of the referendum and the requirement of a favorable vote two-thirds of those eligible. We feel that that is a reasonable request.

In 1950 in this room, there was considerable discussion about the principles set forth in the now famous Dartmouth College case pertaining to the abrogation of a contract. It was emphasized that this decision pointed out that any modification of a contract needed to be mutually acceptable.

We, therefore, believe that since retirement plans are generally conditions of employment, and as a result certain rights and equities are part of the contract, any modification thereof should be agreed to by a substantial majority, which we have felt to be two-thirds of those eligible.

The second point which has already been presented and which I would like to emphasize is the matter of definition of coverage groups being determined by State legislatures.

We have noted, in previous attempts to define at the Federal level the situation that covers all States, some confusion; we believe that it would be an advantage in the simplification of administration of the program, as well as a fair decision as far as public employees are concerned, if State legislatures would be the group to decide on the breakdown of the local and State divisions for purposes of the referendum.

It seems to us that it is important that the starting date for public employee groups covered in the future be not earlier than the first of the year in which the coverage becomes applicable.

We believe this would enable the program to better meet the intent and purpose of the recommendation of Secretary Hobby in providing for dropping out the years of low earnings.

Many of our people, if they should become covered in the future, will find that the advantage or assistance because of the dropping out of years of low earnings, not being available after the start of the coverage, would be lost during the period of time from January 1, 1951, until the date of the coverage of that group.

I would like to thank for committee for their favorable consideration of our points of view in the past and for the courtesies that have been extended to us today.

Senator CARLSON. Mr. Walters, we appreciate very much your statement.

The next witness is Mr. Carl Bare, chairman, legislative committee, Fraternal Order of Police.

STATEMENT OF CARL BARE, CHAIRMAN, LEGISLATIVE COMMITTEE, FRATERNAL ORDER OF POLICE

Senator CARLSON. Mr. Bare, we appreciate very much your appearance here.

Mr. BARE. Mr. Chairman, I have a prepared statement. I believe you have a copy of it, and I want to submit it. I don't think it is necessary for me to reemphasize to you people the peculiarity of the police profession and why we should not be included in social security.

You will find a number of these things enumerated in the statement.

(The statement referred to follows:)

STATEMENT OF CARL C. BARE, CHAIRMAN OF THE NATIONAL LEGISLATIVE COMMITTEE OF THE FRATERNAL ORDER OF POLICE

My name is Carl C. Bare. I am a deputy inspector of police in the city of Cleveland, Ohio, and national legislative chairman of the Fraternal Order of Police. This is a national organization representing more than 36,000 active policemen in the United States. We also represent an undetermined number of retired policemen and dependents of retired and active policemen.

Our organization represents a true cross section of policemen throughout the country. We have members in the smallest police departments, of 1 or 2 men. We also have members in the largest metropolitan centers, such as Indianapolis, Ind.; Cleveland, Ohio; and Philadelphia, Pa. We represent members of the border patrol who are doing duty on the Mexican and Canadian borders, and members of the harbor police on the east coast.

Our organization is a member of the National Conference on Public Employee Retirement Systems.

Most policemen are members of police retirement systems established by State or local legislative bodies. These systems are administered by local boards consisting of representatives of the policemen and of the public, most of whom serve without compensation. Therefore, the administrative costs of these retirement systems are kept at an absolute minimum.

In Ohio, my home State, the pension system is established by State law and is administered by boards in the local political subdivisions. These are composed of 2 members of the police department, 2 members of the local city council, and 2 members of the public at large, who are appointed, 1 by the police members and 1 by the council members. They serve without compensation.

The problems of police retirement systems are vastly different from those of most retirement systems. Members of the police profession must be men who are physically able to cope with any situation which might arise. It is obviously necessary to provide early retirement benefits for these men. If we did not we would soon find our police departments composed of persons who had passed their physical peak and who were unable to cope with present conditions. Statistics show that most offenses are committed by younger persons, and policemen of advanced years would certainly be no physical match for these offenders.

As a practical police problem, we realize that the best policeman is a man who possibly has from 10 to 20 years' service in the department. It takes him several years to learn the things that are required and to gain the necessary experience to

be a good, efficient policeman. If he is a patrolman out on active duty, possibly after he has been in the service around 20 years and has passed middle age, he has begun to lose his efficiency. If we were unable to retire this man and replace him with a younger man it would be disastrous to law enforcement.

Local authorities recognize this fact and have made retirement provisions for policemen accordingly. In the State of Ohio, we have a 25-year service requirement. Entrance age is limited to 31 years, making every policeman who enters the service in Ohio eligible for retirement at the age of 55 years.

We have no compulsory-retirement age. It is dependent upon the policeman's ability to go on and perform his duties in a satisfactory manner. This has been true for many, many years. Some existing police-retirement systems were established before the beginning of the 20th century. Under a plan as broad in its coverage as social security it would be impossible to provide these benefits which are so necessary for the proper protection of our citizens.

To maintain an efficient police department it is necessary to obtain new members who are of the proper type. Ample retirement benefits attract the person who is looking for security for himself and his family. This dependable type of person makes the best possible policeman. If this man was able to leave the police department and continue the same retirement benefits in other employment, this inducement to remain in the service would be lost. This would result in many men leaving our police departments as soon as more lucrative positions were offered. We would then be faced with the problem of securing and training new men for replacements and then lose them when they had reached their best years.

Our present pension systems have been one of our greatest inducements for a man to remain in the police profession. If we merged into one large social-security program, as proposed by some persons, this inducement would be gone and our personnel turnover would be greatly increased. This would certainly not be for the best interest of the community.

By maintaining local control of our pension systems, changes can be made to meet local changing conditions and take care of the problems that arise to fit that particular community. This would not be true under a broad plan controlled in Washington.

Most police administrators have recognized the fact that adequate protection for families of men who are killed or incapacitated in the performance of their duties is a great morale builder. A man who knows that his loved ones will be properly provided for in case of such an occurrence will certainly face danger with a more aggressive attitude than one who has no such assurances.

Most of these tragedies occur while the policeman is still young and has young children. Adequate provisions have been made by most of our retirement systems not only to provide the bare necessities of life for our dependents in such cases but to provide an income that will insure at least a comfortable existence. In most cases a policeman who is incapacitated permanently in the line of duty is retired at full pension. In a great number of our pension systems special benefits are provided for the minor children and the widows of policemen who are killed in the line of duty. Provisions are made to take care of our particularly hazardous type of work. To include our group in social security and remove this feeling of security for our members would certainly result in less efficient service.

The local governments are continually attempting to shift the financial burdens to the National Government. There would undoubtedly be an attempt to do this with our pension problems. If this was possible we would be constantly faced with the danger of having our pension systems taken away from us and the security that we have paid for and worked for over a number of years would be lost. This would require constant efforts on our part to convince our local councils and local legislatures that they should maintain our present pension systems. Practical men know that a satisfied employee is the one who will give you the most efficient service. There is no place where this is more true than in a police department where we have no definite measure of a man's production. He is out on his own during his entire tour of duty and has a limited amount of supervision. If he knows that his position is secure and he is satisfied with his position and has the assurance that he is not going to have to continually fight to maintain that security, he is certainly going to give the taxpayers a better day's work for the salary that he receives.

Most policemen accepted their positions with the understanding that they would be able to retire under the benefits of their local retirement systems. It has been repeatedly pointed out to them that this, in part, makes up for the inadequate compensation which they received during their active years. To

change the system now and take these benefits away from them would certainly be a breach of trust.

We have no desire to deny the benefits of social security to those persons who are not now protected by a retirement system. However, we do not feel that it would be to the advantage of our members, or to the public at large to have policemen covered by social security. We, therefore, ask that you exclude policemen who are presently members of a local retirement system.

Since the passage of the present law which permits inclusion of public employees who are not members of a public employee retirement system in social security we have found that a number of municipalities have abolished their local retirement systems and forced their employees to accept social security. We do not feel that this was the intent of Congress at the time the present provisions were passed. We know that this possibility has been a constant threat to policemen in certain communities and has kept them in such an apprehensive state of mind that they have been unable to render the kind of service to which the citizens are entitled.

We, therefore, urge the inclusion of a date in the section which excludes policemen that would prohibit the abolition of local retirement systems and the inclusion of the members in social security. If policemen who are members of a retirement system on January 1, 1954 were excluded I am sure it would result in better police service. We urge you to give this matter serious consideration.

Thank you for permitting me to express the views of the members of the Fraternal Order of Police and for your kind attention.

Mr. BARE. There are just a couple of things I would like to emphasize. One is the fact that while I do represent policemen from the ranks of patrolmen—thousands of them throughout the United States, I don't represent the point of view only that they might have as employees. I rank second to the chief in the police department of Cleveland, Ohio, and I know that these local retirement systems are one of the most important things we have in our cities to maintain a good police department and attract good personnel, and that is from the point of view of a police administrator.

In the last paragraph of my statement I refer there to a date in the bill that would prevent the local political subdivision from eliminating a retirement system and including the personnel in social security. We found in 1950 that we had that happen, something that we didn't anticipate, and I am sure that you gentlemen didn't anticipate.

We would like to see a date included in this legislation. It was not included in the House version, and we would like to see you people include that date so that anyone who was in a police retirement system on January 1, 1954, could not be included in social security, policemen being vulnerable to newspaper criticism, some of which may be justified, but not from the standpoint of all policemen.

We feel that upon occasions this may result in adverse opinions locally and possibly the elimination of some retirement systems, some diminution of benefits, and so forth, that are not justified, and we would like to see you include that date.

Senator CARLSON. Mr. Bare, I want you to know the committee appreciates your appearance. You have a lot of friends on this committee.

Mr. BARE. Thank you.

Senator CARLSON. The next witness is Mr. John P. Redmond, secretary-treasurer, International Association of Fire Fighters, A. F. of L.

STATEMENT OF JOHN P. REDMOND, SECRETARY-TREASURER, INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS, AFL

Mr. REDMOND. Mr. Chairman and members of the finance committee, my name is John P. Redmond, chairman of the International Association of Fire Fighters, affiliated with the American Federation of Labor, representing 84,000 paid fire fighters in the United States and Canada.

My office is 901 Massachusetts Avenue NW., Washington, D. C.

I have come here today to endorse the bill before you which proposes to extend social security coverage to many more persons, including certain public employees. I especially want to endorse the language contained in H. R. 9366 on page 15, line 8, beginning with paragraph (5) which reads as follows:

(A) Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position.

The members of the International Association of Fire Fighters have, by repeated convention action, gone on record as opposing the extension of coverage to the fire fighters of the United States under the Social Security Act.

The fire fighters of the United States at the present time have retirement, annuity, and pension systems in 48 States and in 99 percent of the cities that have paid professional fire fighters. The present systems are designed to give protection to the members, their widows, and dependents, and are very important in maintaining the efficiency of the fire departments. The morale of the fire service is excellent because every fire fighter knows that when he has served the necessary time to qualify for retirement, he is assured of a reasonably fair pension to take care of himself and his dependents. He also knows that in the event of being killed or injured his family will be reasonably well cared for.

The funds to provide this type of protection are provided by contributions from his salary each month and from the funds provided by the taxpayers in the city where he is employed. In no case are the citizens opposed to proper protection for the fire fighters or their families, and we believe that the citizens who have the protection afforded by the fire fighters, should have the responsibility of paying for this protection.

We don't believe the Federal Government should be expected to pay part of the costs of pensions or retirement benefits which are set up to meet the needs of a local community.

Since the year 1875 the local governments have provided the funds and the type of pensions needed to ensure protection for the citizens, and at the same time maintained the efficiency of the fire departments for which proper pensions are so essential.

To do anything to change the existing practice would disrupt the smooth working arrangements that already exist in nearly every city in the United States. It would also be difficult to persuade the State and local governments that they should continue to support their local retirement systems at the present levels if the United States Congress would say the fire fighters should be under social security.

For other public employees who are seeking the extension of social-security coverage so it may be integrated with their existing pension

systems, we ask that you give serious consideration to such amendments as they seek in order that they may have the protection they believe is essential to protect their interests in their present pension systems.

Senator CARLSON. Mr. Redmond, we appreciate very much your statement. I am sure it is going to get attention from this committee.

The next witness is Mr. Royce L. Givens, secretary-treasurer, National Conference of Police Associations.

STATEMENT OF ROYCE L. GIVENS, SECRETARY-TREASURER NATIONAL CONFERENCE OF POLICE ASSOCIATIONS

Senator CARLSON. Mr. Givens, we appreciate very much your appearance here this morning.

Mr. GIVENS. Thank you, Senator.

My name is Royce L. Givens. I am secretary-treasurer, National Conference of Police Associations. I am also an active member of the uniformed division of the Metropolitan Police of the District of Columbia.

Senator, I have a prepared statement that I would like to read a portion of.

Senator CARLSON. Proceed in any way you care to, sir.

Mr. GIVENS. We endorse the statement made by Mr. Heath, chairman of the Joint Committee on Public Employee Organizations.

The reason for the desire of the policeman represented by the national conference to remain outside of social security is simple. Social security, even with the liberalized provisions now contemplated, has nothing to offer the man in blue. Policemen were the first public employees to be granted pensions, dating back to 1857. Because of the hazards of our profession, the comparatively early age at which our members must be replaced by younger men, State legislatures, local councils and the Congress of the United States—in the case of my own department—have enacted separate and special retirement legislation for the police officer. I would like to emphasize that these retirement systems for police came into existence and have been improved and expanded more as a safeguard for the public than as a special privilege or reward for the policeman, merited and earned though I believe it to be.

Mr. Chairman, we know that Congress cannot legislate on matters which are within the special province of States. These matters our conference must and will handle upon the level on which it arises. Our organization asks of you only that you reaffirm the exclusion of the members of my profession as it now stands in H. R. 9366.

Gentlemen, thank you for permitting me to appear here, and I would like to insert in the record some letters from associates.

Thank you very much.

Senator CARLSON. Any information you wish to submit for the record will be made a part of the record.

Mr. GIVENS. Thank you, sir.

(Mr. Givens' prepared statement follows:)

STATEMENT OF ROYCE L. GIVENS, SECRETARY-TREASURER, NATIONAL CONFERENCE OF POLICE ASSOCIATIONS, ON H. R. 9366, A BILL TO AMEND THE SOCIAL SECURITY ACT

Mr. Chairman and members of the Committee on Finance, United States Senate, my name is Royce L. Givens. I am an active member of the uniform division of the Metropolitan Police Department of the District of Columbia. I am speaking today as secretary-treasurer of the National Conference of Police Associations representing approximately 100,000 policemen from coast to coast and border to border.

We endorse the statement made by Mr. Heath, chairman of the Joint Committee on Public Employee Organizations.

The National Conference of Police Associations wishes to go on record as endorsing the continued exclusion of policemen from coverage under social security as written in the House-passed bill, H. R. 9366, with one amendment:

Page 11, line 23, after the words "referred to in clause (A)," change the comma to a period and strike out the following: "and except in the case of positions excluded by paragraph (5) (A)."

This amendment will close the back door method of bringing policemen, now under a retirement system, under social security.

The reason for the desire of the policeman represented by the national conference to remain outside of social security is simple. Social security, even with the liberalized provisions now contemplated, has nothing to offer the man in blue. Policemen were the first public employees to be granted pensions, dating back to 1857. Because of the hazards of our profession, the comparatively early age at which our members must be replaced by younger men, State legislatures, local councils, and the Congress of the United States—in the case of my own department—have enacted separate and special retirement legislation for the police officer. I would like to emphasize that these retirement systems for police came into existence and have been improved and expanded more as a safeguard for the public than as a special privilege or reward for the policeman, merited and earned though I believe it to be.

The entire concept of social security from its very beginning has been to provide for those people who have no protection from want in their declining years. Certainly it was never intended by this or any other session of Congress that social security should be used to lower or lessen the benefits of existing retirement systems. Neither do we believe that Congress ever intended that social security should or could be used by shortsighted, economy-minded officials, in some States, counties, and cities to shift to and saddle the Federal Government with all or the greater part of the cost of maintaining an already established retirement system.

Mr. Chairman, we know that Congress cannot legislate on matters which are the special province of States. These matters our conference must and will handle upon the level on which it arises. Our organization asks of you only that you reaffirm the exclusion of the members of my profession as it now stands in H. R. 9366.

Gentlemen, I thank you for the privilege of appearing here and I respectfully ask permission to submit letters from the various member organizations of the National Conference of Police Associations as a part of my statement. I might add in closing that there is not a single dissenting vote from any member organization of the national conference against the exclusion of policemen from social security coverge.

Attached herewith is a list of the member organizations of the National Conference of Police Associations.

Thank you.

MEMBERSHIP IN THE NATIONAL CONFERENCE OF POLICE ASSOCIATIONS

Washington 1, D. C., June 28, 1954

California:
- Los Angeles Fire and Police Protective League
- Los Angeles County Peace Officers Protective Association
- Peace Officers Research Association of California
- Welfare Association of Oakland
- San Diego Police Relief Association
- San Francisco Police Officers Association

Delaware: Delaware Association of Police

District of Columbia:
- Policemen's Association of District of Columbia
- Washington National Airport Police Association

Illinois: Chicago Patrolmen's Association
Louisiana: New Orleans Pension Board
Maryland: Baltimore City Police Association
Michigan: Detroit Police Officers Association
Minnesota: Minneapolis Police Officers Federation
Nevada: Reno Police Protective Association
New Jersey: New Jersey State Patrolmen's Benevolent Association, Inc.
New York:
- Patrolmen's Benevolent Association, New York City
- Police Conference State of New York

Panama Canal Zone: Canal Zone Police Association
Texas:
- Houston Police Officers Association
- Texas Municipal Police Association
- Fort Worth Police Officers Association
- Galveston Municipal Police Association

Wisconsin: Milwaukee Police Officers' Protective Association

POLICE CONFERENCE, STATE OF NEW YORK,
June 4, 1954.

ROYCE L. GIVENS,
Secretary, Washington, D. C.

DEAR ROYCE: Thanks for your letter of the 1st containing the language of the amended social security extension, which excludes policemen and firemen in the new print, H. R. 9366.

It is the considered judgment of authorities that a thorough analysis of the deleted section does not give the coverage we desire. Therefore, we are in accord with the present language now in the bill passed by the House.

We have consistently advocated the exclusion of the position of policemen because of their unique service and their high physical requirements. It is for this reason that policemen were the first public employees ever to be granted a pension, dating back to 1857. This was nearly 50 years before a pension was considered for other public employees. I can hardly visualize any police department not having a pension system for its members. If there are any, I am sure they would have come to our attention.

I feel that no purpose would be served by any attempt on our part to make any changes when the bill is considered in the Upper House. It might, on the other hand, tend to create confusion in view of the excellent progress and the job well done to date.

I trust that I have made our position clear in this matter, and with kind personal regards, I remain

Fraternally yours,

PETER KERESMAN, *Secretary.*

POLICEMEN'S PROTECTIVE ASSOCIATION,
Milwaukee 3, Wis., June 4, 1954.

Mr. ROYCE L. GIVENS,
Secretary-Treasurer, National Conference of Police Associations,
912 U Street, NW., Washington, D. C.

DEAR MR. GIVENS: This will acknowledge receipt of your communication, bulletin No. 14, relating to social-security coverage for policemen and firemen. As we know, H. R. 7199 now excludes firemen and policemen from social security.

The opinion and attitude of the Milwaukee Policemen's Protective Association in this connection is—

1. We believe that social security for policemen and firemen in cities of the first class, such as, Milwaukee, Wis., would be detrimental to the efficiency of the department in that it would tend to create a terrific personnel turnover problem in the Milwaukee Police Department, which we have never encountered.

2. Our present retirement systems in both the fire and police departments in the city of Milwaukee are sufficiently adequate to compensate policemen and firemen completing the minimum number of years required for annuity purposes

and before age 65. At the present time this amounts to 50 percent of salary and in some cases will even be greater than that, as well as providing widow's annuity or options for widow's benefits.

3. The retirement systems in the city of Milwaukee provide for withdrawal benefits in the event of separation from service by any public employee. In other words, contributions together with interest at the rate of 4 percent per annum are returned to all such employees upon severance from the service.

4. The employer's (city's) share of contributions always remains in the possession of the community and whenever any employee severs his connection with the city, such city's contributions are retained in the pension fund, thereby strengthening the fund.

5. The dangerous features of integrating or adding social security to existing pension systems in various communities throughout the United States have resulted in many communities abolishing the existing retirement system and placing all their employees directly under social security.

6. Police officers in the city of Milwaukee, under the new retirement provisions, must retire at age 63. In other words, retirement is compulsory when they become 63 years of age.

Your question in bulletin No. 14 specifically related to whether or not we favor social-security coverage for those policemen and firemen in small communities which do not have any pension or retirement system or have an inadequate pension system.

Our position on this phase of social security as it relates to smaller communities, townships, villages, etc., is that we do not object to the employees of such communities becoming affiliated either directly or indirectly with social security. We especially feel that in those instances where no local pension systems are in effect or where the pension systems are meager or totally inadequate that social-security coverage is practically mandatory for the protection of the employees and their dependents.

However, it has been the universal practice of police and fire departments to retire their personnel at an early age because of the hazardous nature of the work involved and the necessity of having a youthful and alert force to meet the demands of the service.

The extension of social-security coverage to police and firemen would have a tremendous tendency of causing all such protective-agency employees to work at least to 65 years of age, which is at least 5 years too long for a fireman or policeman, thereby reducing the efficiency of the law-enforcement agency or fire-fighting services.

In those cases where policemen or firemen are included under social security, every effort should be made to provide for retirement at least at age 60 and this, no doubt, could be accomplished by having an increased rate of social-security contribution for policemen and firemen as well as an increased rate for the employer to provide for this early retirement.

Trusting that these observations may be of some value, I remain,

Yours very sincerely,

POLICEMEN'S PROTECTIVE ASSOCIATION,
MILWAUKEE POLICE DEPARTMENT,
LESTER LUND, *President.*

NATIONAL CONFERENCE OF POLICE ASSOCIATIONS,
June 4, 1954.

DEAR ROYCE: I received your bulletin No. 14 advising that the social-security bill H. R. 9366 passed the House of Representatives on June 1, 1954, with the exclusion of policemen and firemen.

Regarding the question about the policemen who do not now have a pension system, I certainly would like to see the social-security bill provide provisions for them to come under social security, but I don't think we should push same too strong, because the question will arise by some of the Members of Congress that, if social security is good enough for some policemen it should be good enough for all policemen, and we being a national organization, representing all policemen who do have pension systems, it might be an awkward position. Of course, if we can do anything for them without hurting our own position we should do it. I leave it up to you.

I just returned this past Monday from Los Angeles where we had the meeting of the National Conference of Public Employees Retirement Systems, when

all that broke about social security and, of course, I spoke long distance to Boggs' office and sent a telegram and I was surprised to learn on my return that you had called and, of course, I was in attendance in Los Angeles when they spoke to you. I was sure glad when everything was straightened out.

With kind personal regards, I am,

Sincerely,

ALVIN H. RANKIN.

JUNE 25, 1954.

Re H. R. 9366

FINANCE COMMITTEE OF THE UNITED STATES SENATE,
Senate Office Building, Washington, D. C.

GENTLEMEN: On behalf of the more than 20,000 members of this association, we urge that you maintain in the above bill the provision for the total exclusion of policemen and firemen from the Federal social security program.

Present police pension systems are designed by local legislatures to conform with local conditions. Their benefits are scheduled to meet specific conditions according to local requirements, such as recruitment problems, living conditions, health, and occupational hazards. They provide earlier retirement and generally more liberal benefits than the Federal social security program. Such local systems are readily adaptable to any necessary amendments at the local level to best serve the interests of the police and the taxpayers at the local level. Such flexibility to meet local conditions is not available or practicable under the vast nationwide social security program.

Following extended conferences and hearings upon H. R. 9366, formerly H. R. 7199, we support the same position on this bill which is taken by the Joint Committee on Public Retirement Systems and its member unit, the National Conference on Public Employee Retirement Systems.

We request that this communication be made part of the record of the hearings of your committee on this bill.

Yours very truly,

JOHN E. CARTON, *President.*

PEACE OFFICERS RESEARCH ASSOCIATION OF CALIFORNIA, INC.,
San Diego, Calif., June 8, 1954.

Re H. R. 9366, Social Security Coverage for Public Employees

Mr. ROYCE L. GIVENS,
Secretary-Treasurer, National Conference of Police Associations, Washington, D. C.

DEAR ROYCE: As far as we are concerned, we have nothing but the greatest sympathy for those police officers who do not have a local or other pension system. At the same time, we are very much against changing the range of H. R. 9366 to allow coverage for these safety members who do not have such a pension system. All of our communications with you on this matter have been in the same vein of thought: Keep firemen and policemen entirely out of social security coverage. Those legislators who would like to get firemen and policemen and other safety members covered by social security are just waiting for us to sponsor some ideas of this type which would let them in the so-called back door while we are trying to keep the front door barred.

We will grant you that it is a very cold-blooded approach on our brother officers to prohibit them from social security coverage, but since this country was founded, it has always been a majority rule system, and we again go on record as far as this association is concerned as being very emphatically against allowing any policemen (especially) or firemen to be covered by social security.

Trusting this information is what you need in your contacts with the Senate committee, and thanking you again for your efforts in this matter, we remain.

Sincerely yours,

ATHOS SADA, *President.*

SAN DIEGO POLICE RELIEF ASSOCIATION, INC.,
San Diego, Calif., June 8, 1954.

Re H. R. 9366, Social Security Coverage for Public Employees.

Mr. ROYCE L. GIVENS,
Secretary-Treasurer, National Conference of Police Associations, Washington, D. C.

DEAR ROYCE: As far as we are concerned, we have nothing but the greatest of sympathy for those police officers who do not have a local or other pension system. At the same time, we are very much against changing the range of H. R. 9366 to allow coverage for these safety members who do not have such a pension system. All of our communications with you on this matter have been in the same vein of thought: Keep firemen and policemen entirely out of social security coverage. Those legislators who would like to get firemen and policemen and other safety members covered by social security are just waiting for us to sponsor some ideas of this type which would let them in the so-called back door while we are trying to keep the front door barred.

We will grant you that it is a very cold-blooded approach on our brother officers to prohibit them from social security coverage, but since this country was founded, it has always been a majority rule system, and we again go on record as far as this association is concerned, and also the San Diego County chapter of PORAC, as being very emphatically against allowing any policemen (especially) or firemen to be covered by social security.

Trusting this information is what you need in your contacts with the Senate committee, and thanking you again for your efforts in this matter, we remain,

Sincerely yours,

L. E. THRALL, *President.*

WELFARE ASSOCIATION,
OAKLAND POLICE DEPARTMENT,
Oakland, Calif., June 14, 1954.

Mr. ROYCE GIVENS,
Secretary, National Conference of Police Associations:

DEAR ROYCE: Regarding your last bulletin on our stand on making any changes in the OASI legislation to cover police officers who have no coverage of any nature at the present time. Our stand is no change in the present exemption. We feel that we are looking out for the best interests of our members and any problem faced by unorganized groups is their problem which they will have to solve themselves. We also feel that to make any move to change the legislation at this time may result in all of us going back in to OASI. To sum it all up we want out with no reservations. You should receive a letter from the PORAC chapters expressing the same thought. Also, according to information I have received the International Firefighters are also standing pat with no reservations. If we can be of further service give us a phone call or drop us a line and we will respond at nce.

Respectfully yours,

J. H. STURM,
Secretary-Treasurer, Welfare Association, Oakland Police Department.

MAY 21, 1954.

Hon. JOHN DINGELL,
House of Representatives, Washington, D. C.

DEAR MR. DINGELL: As per our telephone conversation; here are our reasons why we, as police officers of the city of Detroit, and members of the Detroit Police Officers Association, are against social security.

First of all, we would like to make our stand clear. It is not one for a personal or selfish gain but rather one which involves the people, citizens of this Nation, their lives, their families, and their property.

Placing police departments under social security will mean an old police department, men who are past their prime of life, men who are disabled in the line of duty, and men who are just biding their time until they reach the age of 65. I think you will agree that this alone will become a drain on the taxpayer to say nothing of the inefficiency of such a department having men on its force unfit to perform the duties of a police officer.

Eminent doctors throughout the country state that a man past the age of 40 is on the downward trend. Realizing this fact, the citizens of the Nation's cities

and towns voted their police departments a 25-year-service retirement plan and also a pension as a reward for their honest, faithful, and undying service to the community and to compensate in a small way for the risking of their lives and for the protection of their homes and loved ones.

A man in his late fifties and early sixties cannot and will not be as active physically and mentally as a man in his prime of life. How can we maintain the respect of our citizens for law and order when the men who enforce the law are unable to apprehend a culprit because police officers are too old to run after him, or because a police officer's reflexes are not quick enough. This will breed more crime because police officers will be too old and too weak to give chase and will automatically give the lawbreakers a better chance of getting away.

Figures compiled by J. Edgar Hoover, of the Federal Bureau of Investigation, show that crime is on the increase. Do we want more crime? Do we want to make rest homes out of our police stations? Do we want our citizens up in arms clamoring for the protection they are entitled to as citizens of this Nation?

The majority of police departments in the country today have a young department. Men who are alert, men who are agile, men whose reflexes are quick, men who are quick thinkers, and men who put the safety of those they have sworn to protect above their own personal safety. Men who have compared the better and more attractive offers of industry with that of the police department and have decided to sacrifice industry for a job which has been raised from a semimilitary force to a semiprofessional career. A career which offers, not as much as industry, but which offers as a compensation a 25-year retirement and an opportunity to be able to still enjoy life on a pension before his life begins to ebb away.

Surveys show that most police departments have a crucial shortage of personnel, and recruitment is becoming more and more difficult. Do we want to make this shortage worse and consequently lower the standards which, after years of efforts, are just now beginning to be raised to a point where only the cream of the crop can pass the rigid qualifications? The reasons are apparent why police qualifications should always be far above those required in industry. An officer must be a doctor, a lawyer, a counselor, a judge and a speaker in his everyday work.

Placing police departments on social security will result in the lowering of recruit qualifications, and in turn this will result in a less efficient police department and one which will be more prone to corruption.

Let us reflect for a moment on the armed services. Who are the men that do the fighting? The young men. What does the Federal Government offer these young men? A 20- and 30-year service retirement plan and a pension. Why? Because Congress knows that the country needs young men to keep the country strong and therefore must make the service attractive in order to recruit young men.

Federal intervention where departments have a sound retirement and pension plan will lower the morale and take away the rights of the citizens of that community to take care of their police officers as they see fit. We believe that each individual locality is better suited to take care of its own problems and needs and that some amendment should be made to the bill to exclude all departments having their own retirement plan.

We hope that you will give us your support in this matter and we shall be pleased to hear of any progress which is being made.

Very truly yours,

DETROIT POLICE OFFICERS ASSOCIATION,
BRUCE FINNEY, *President.*

Senator CARLSON. Mr. Bridges, I notice that you are a State official.

Mr. BRIDGES. Yes, sir.

Senator CARLSON. Having served as the Governor of a State for some 4 years, I appreciate the work that you folks are doing.

Mr. BRIDGES. Thank you, Mr. Chairman.

STATEMENT OF HENRY L. BRIDGES, AUDITOR OF STATE OF NORTH CAROLINA

Mr. BRIDGES. Mr. Chairman and members of the committee, I am Henry L. Bridges, State auditor and ex officio chairman of our Law Enforcement Officers Benefit and Retirement Fund, speaking for and on behalf of the law enforcement officers of North Carolina.

There is in North Carolina a Law Enforcement Officers' Benefit and Retirement Fund in which membership is available to all law enforcement officers in the State on an optional basis. At the present time we have approximately 2,100 members of our retirement fund. There are approximately 3,000 law enforcement officers in the State who have not elected to become members by reason of the requirement of 5 percent contributions and 20 years' service before retirement. The Social Security Administration ruled that because our retirement fund was available that all law enforcement officers were in a position covered by a retirement system and were excluded from coverage by social security. These policemen are not covered because of the limitation of our system.

We have 316 units participating in social security in North Carolina which includes counties, cities, towns, and instrumentalities. Under the social-security law the law enforcement officers of these units are excluded from coverage with the local employing governing body. For example, all of the employees of the city of High Point have social-security coverage except members of the police department. Only about half of the policemen are members of our fund. The others have no coverage of any kind.

To solve our problem, we request an amendment to H. R. 9366 which will permit the law enforcement officers of North Carolina to be covered under social security when the local governing body enters into an agreement for coverage for the other employees. As passed by the House, H. R. 9366 carries a total exclusion provision for policemen and firemen on the national level. The proposed amendment has the approval of:

The officers of the North Carolina League of Municipalities representing the cities and towns of the State;

The executive committee of the North Carolina Sheriffs Association representing the sheriffs and deputies of each of the 100 counties;

The executive committee of the North Carolina Police Executives Association representing all policemen who occupy executive positions from a sergeant on up.

The board of commissions of the Law Enforcement Officers' Benefit and Retirement Fund on February 25, 1954, passed a resolution endorsing the approving the proposed amendment.

We recommend the following amendment be adopted:

Amend H. R. 9366, section 101 (h), page 15, by adding the following at end of subsection (5), line 11:

> Notwithstanding the foregoing sentence, the insurance system established by this title may be extended to service in any policeman's position covered by a statewide policeman's retirement system.

We recommend the following as an alternate amendment:

Amend H. R. 9366, section 101 (h), page 15, by adding the following at end of section (5); line 11:

> Notwithstanding the foregoing sentence the insurance system established by this title may be extended to services in any policeman's position in North Carolina.

In many metropolitan areas the policemen have a good retirement system and are fearful that this retirement would be jeopardized if social security was available to them. This sort of situation does not exist in North Carolina, and we have a large group of policemen who

are not members of the retirement system and who would not be permitted to come under social security when the local governing body enters into an agreement for coverage under social security for all other employees, therefore, this proposed amendment would in no way conflict with the total exclusion clause for policemen in other States.

The policemen in North Carolina desire to be put into the same category as other public employees for coverage under social security.

Of course, our problem could be solved by deletion of the total exclusion provision. However, if this is not done we recommend consideration of either one of our proposed amendments as a means of affording coverage to a large group of policemen who have no coverage of any kind.

Thank you, Mr. Chairman.

Senator CARLSON. Mr. Bridges, I appreciate your statement, and I can readily see you have a problem there.

We thank you very kindly, sir.

The next witness is Mrs. Joseph Mills Stoll, Spokesmen for Children.

STATEMENT OF MRS. JOSEPH MILLS STOLL, REPRESENTING SPOKESMEN FOR CHILDREN

Senator CARLSON. We are very happy to have you with us.

Mrs. STOLL. Thank you, Senator Carlson.

If you will permit me, I would like to file my statement, and I would like to say a few things about it.

Senator CARLSON. You may proceed as you wish.

(The statement referred to follows:)

TESTIMONY OF MRS. JOSEPH MILLS STOLL, REPRESENTING SPOKESMEN FOR CHILDREN BEFORE THE SENATE FINANCE COMMITTEE ON H. R. 9366

My name is Hester Stoll and I am a member of the board of directors of Spokesmen for Children, a national voluntary organization which is concerned with Federal legislation affecting children, particularly in matters of health, welfare, education, and security. Our organization, while a registered lobby for children, has no paid staff. Members of the board do the work as volunteers. Our membership is made up of people interested in children's affairs from different points of view, such as doctors, nurses, teachers, ministers, social workers, businessmen, parents, interested citizens, etc.

We support H. R. 9366 because it expands and improves our national old-age and survivors insurance system and thus offers increased security to the children or retired and deceased workers. This social security program needs further amendment so that it can give economic protection against the hazards of old age and death to the majority of workers, their dependents and survivors. When the retired worker and his dependents or his survivors lack money for food, shelter, utilities, clothes and medical care, the children in the situation inevitably suffer not only from the want of these necessities but from the attendant emotional insecurity which is caused by the anxiety and worry of the parent of parents. Thus old-age and survivors insurance can "make or break" a family. It should be a powerful force in preserving family life.

We favor the provisions of H. R. 9366 which would extend basic protection to practically every employed and self-employed person except those who work for the Federal Government as civilians or members of the Armed Forces and are covered by retirement systems. We are glad that professional persons and farm operators would be covered on the same basis as other self-employed persons and that ministers and members of religious orders could be included on a basis similar to that used for employees of nonprofit organizations. The provisions have our support which would cover domestic workers if they earn $50 from one employer in one calendar quarter regardless of the days worked for that employer. Because of our concern for farmworkers and migrant laborers and their families, we are

opposed to the provisions of H. R. 9366 which require a farmworker to earn $200 from 1 employer in 1 calendar year. A poll of the members of our board of directors showed that they favor provisions which would make coverage more easily attained by migratory laborers. There is no group with lower wages or less security and thus no group who needs coverage so much as the migrants. We shall not attempt to enumerate all the different classes of the 10 to 11 million workers who would be covered by this bill but we would like to emphasize the point this extended coverage will increase the security of quite a few children, at least 10 million according to the best information we have been able to get.

We are particularly concerned about the need for increased benefits. Some increases would be provided by these measures of H. R. 9366: (1) a revised benefit formula, (2) an increased earning base, and (3) an improved method of determining the average monthly wage. These measures would result in an average increase of $6 to $7 and a minimum of $5 for an individual beneficiary with a proportionate amount for dependents and survivors. Even with these slight additions the benefits will not supply a minimum standard of living. We believe that beneficiaries should receive an amount which is sufficient to maintain themselves without having to turn to public assistance and private agency help for supplementation except in unusual circumstances. We recommend that the Senate Finance Committee find a method of increasing the benefits further.

Recently a situation came to our attention in which four teen-age girls were the survivors of a widow who had worked at the telephone company for years. These girls were fortunate because they received the maximum benefit of $168.90 a month. Also, they inherited a small house. Their church has helped. Neighbors have helped. And yet they have had a hard struggle to get along on their benefit which amounts to $1.40 per day per child. We feel that the present "half a loaf" benefits should be raised to protect our children and insure them a minimum standard of decency and health.

We support the "freeze" of earning records of disabled persons so that their benefit rights would be preserved. Also we favor the referral of disabled persons to the State rehabilitation agencies so that some of the disabled could be returned to gainful employment. These measures are good but do not go far enough. We are concerned about what will happen to the families of disabled workers who cannot be rehabilitated. Must they go on relief until the disabled person is 65? What happens if they are not eligible under the residence requirement or the means test for public assistance in their State?

Disability of the wage earner leads to serious economic and social breakdown of family life. The majority of disabled persons soon exhaust their resources and must turn to public help. A small number—less than 5 percent—receive workmen's compensation. A very few are covered by private insurance. We recommend that the Senate Finance Committee consider again the possibility of disability insurance based on the worker's wage record and with benefits for dependents. There are fears in some quarters that disability insurance would be hard to administer and that some persons would take advantage of it. We are told that experience under the veterans' insurance and the railroad retirement programs gives evidence that disability insurance can be sound and workable. We believe that the majority of wage earners would be willing to pay an additional tax in order to be protected against disability.

We support the provisions relating to the retirement test as being fairer and more liberal for persons 65 and over who continue to work full or part time and draw some of their benefit.

As you can see, we wholeheartedly support H. R. 9366 with certain improvements recommended above. This act will increase the security and well-being of many wage earners and their dependents and survivors and thus will contribute to the general welfare.

Mrs. STOLL. My name is Hester Stoll, and I am a member of the board of directors of Spokesmen for Children, a national voluntary organization which is concerned with Federal legislation affecting children, particularly in matters of health, welfare, education, and security. Our organization, while a registered lobby for children, has no paid staff. Members of the board do the work as volunteers. Our membership is made up of people interested in children's affairs from different points of view, such as doctors, nurses, teachers, ministers, social workers, businessmen, parents, interested citizens, etc.

We are particularly pleased that the coverage is so broad, and we approve of all the classes now being included in coverage. We would like to point out that this will affect the security of about 10 million children. We are particularly interested in the security of these children. That is the best we have been able to estimate.

We took a poll of our board of directors recently and our board was concerned about the provisions regarding farmworkers, because that group includes migratory laborers and their families. Our board, while not technicians on how you should write the law—we'll leave that to you—did feel that this provision should be liberalized; this provision that requires $200 earned from 1 employer in 1 year.

Our board of directors felt that would make it difficult for migratory laborers to be covered, so we hope that your committee will give that question your earnest consideration.

Now, I wanted to read you our case story that we included in our testimony. We very much feel that the benefit should be increased. We like everything in the bill; we like the revised benefit formula; we approve of all these measures that will make for higher benefits, but we are concerned that even if the benefits are higher, as proposed in the bill, they are not high enough to guarantee a person, a family or a survivor, a standard of living that would make for health and decency.

I would like to read you one case illustration. I think it might be good to get down out of the clouds of statistics and just look at one family.

Recently a situation came to our attention in which four teen-age girls were the survivors of a widow who had worked at the telephone company for years. These girls were fortunate because they received the maximum benefit of $168.90 a month. Also, they inherited a small house. Their church has helped. Neighbors have helped. And yet they have had a hard struggle to get along on their benefit which amounts to $1.40 per day per child.

Let me say I have had personal knowledge of this family, and I know that have had a hard time managing. We feel that a sort of half-a-loaf benefit is not enough, and we would like for you to make it possible for survivors who are left to have enough to live on. We think that is one of the purposes of the bill.

Now, finally, let me say that we are very much concerned about the need for disability insurance. Our board has considered that carefully, and we think that most disabled persons are not able to supply income for the family's needs and the children's needs, and we know that if these people have to wait until they are 65, it is going to be very rough on their families. We hope that you will consider again, as your committee has in the past, the possibility of disability insurance.

Further, we think that the people who are covered under OASI would be pleased to pay a small additional amount if they could be covered for disability insurance.

So let me say in conclusion that we heartily support the bill, and we would like you to add these few things that we have suggested

Senator CARLSON. Mrs. Stoll. We appreciate your appearance. Your statement is very helpful to the committee and, more than that, I want to commend you and other fine men and women who take a personal interest in some of these people who are less fortunate. I

think that has been one of the great bulwarks of our Nation, and I hope it always continues.

Mrs. STOLL. I thank you, sir. I will carry what you say to our board, and they'll be pleased.

Senator CARLSON. The next witness is Mr. Russell I. Thackrey, Association of Land-Grant Colleges and Universities.

Mr. Thackrey ---

(No response.)

Senator CARLSON. That concludes the calendar for this morning, and we will meet tomorrow morning at 10 o'clock.

(Whereupon, at 12:30 a. m., the committee recessed to reconvene at 10 a. m., Tuesday, June 29, 1954.)

SOCIAL SECURITY AMENDMENTS OF 1954

TUESDAY, JUNE 29, 1954

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

The committee met, pursuant to call, in room 312, Senate Office Building, at 10 a. m., Senator Edward Martin, presiding.

Present: Senators Martin, Carlson, George, and Long.

Senator MARTIN (presiding). The hearing will come to order.

I submit for the record a statement by Senator Estes Kefauver urging the committee to delete from its proposal any mandatory legislation compelling dentists to come under the Social Security Act involuntarily. Senator Kefauver submits letters in support of his recommendation by Dr. Harvey C. Reese, president, and Dr. Andrew M. Ballentine, secretary, of the Tennessee State Dental Association, both of which will be made a part of the record with his statement.

(The information referred to follows:)

STATEMENT OF SENATOR ESTES KEFAUVER REGARDING PROVISIONS OF H. R. 9366 RELATING TO DENTISTS

Mr. Chairman, during the past few days I have had considerable correspondence from dentists in my home State of Tennessee concerning the proposal to include their group under the social-security program.

While I was in Tennessee, I talked with a good many of these dentists and discussed with them the advantages and disadvantages of such a proposal. It was pointed out to me that the representatives from the Tennessee State Dental Society to the house of delegates of the American Dental Association voted unanimously and overwhelmingly against the adoption of the old-age security insurance bill, H. R. 9366. The house of delegates voted 312 to 64, asking that the dental profession not be included in the Social Security Act.

It is my own feeling that we should not force the dentists to come under the act but should offer it on a voluntary basis. In this way those that desire coverage would have an opportunity to apply for it and those who did not so desire could seek other ways of providing for their old age.

I understand that the measure as passed by the House excluded physicians, but included the dentists. I think that since the professions are on a par with one another, they should be treated equally and we should not enact any legislation which would go against the desires of this fine group who are doing so much toward preserving the health and welfare of our country.

I sincerely urge that the committee delete from its proposal any mandatory legislation compelling dentists to come under the Social Security Act involuntarily.

I respectfully ask that the committee include in the record of these hearings letters which I have received from Dr. Harvey C. Reese, president of the Tennessee State Dental Association, and Dr. Andrew M. Ballentine, secretary of the Tennessee State Dental Association.

These letters are typical of the many that I have received and demonstrate the deep and sincere feeling that the dentists of Tennessee have about this proposal.

TENNESSEE STATE DENTAL ASSOCIATION,
Nashville 3, Tenn., June 22, 1954.

Hon. ESTES KEFAUVER,
United States Senate, Washington, D. C.

DEAR SIR: Along with other members of my profession, I should like to call to your attention the fact that representatives from the Tennessee State Dental Society to the house of delegates of the American Dental Association in Cleveland at their 1953 session, voted unanimously against adoption of the OASI bill, H. R. 9366.

The house of delegates voted 312 to 64 favoring that the dental profession not be included in the Social Security Act, and we strongly urge that you use your influence in seeing that their wishes are recognized when the Senate Finance Committee opens hearings on this bill.

Very truly yours,

ANDREW M. BALLENTINE,
Secretary, Tennessee State Dental Association.

TENNESSEE STATE DENTAL ASSOCIATION,
Nashville 3, Tenn., June 22, 1954.

Senator ESTES KEFAUVER,
Washington, D. C.

DEAR SENATOR KEFAUVER: This letter is to ask you to oppose the inclusion of dentists in the OASI bill, H. R. 9366.

Why the House of Representatives included the dentists and excluded physicians is beyond my comprehension, especially in view of the fact that the American Dental Association house of delegates has four times gone on record against the inclusion of dentists in the program. Out Tennessee delegation has consistently voted against it.

Speaking now as chairman of the executive committee of the Tennessee State Dental Association, let me urge you to use your great influence in taking the dentists out of the bill.

Cordially yours,

HARVEY C. REESE, D. D. S.,
President of the Tennessee State Dental Association.

Senator MARTIN. I hope all witnesses will be just as brief as possible, because we have to be out of here by 12 o'clock.

Senator GEORGE. Eleven.

Senator MARTIN. We cannot go much past 11 o'clock.

Any statement that you put into the record will be given as much consideration as if you would deliver it in person.

The first person we will hear this morning will be Gordon Scherer, a Member of Congress from Ohio.

STATEMENT OF HON. GORDON H. SCHERER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. SCHERER. My name is Gordon Scherer. I am a Member of the House of Representatives from Ohio. I became identified with the Christian Science Church at the early age of six and for many years I was active in the various affairs in the church.

I am a lawyer by profession and have not ever been a Christian Science practitioner. However, I am fully acquainted with the qualifications and work of Christian Science practitioners as a result of my long associations with the Christian Science movement.

From my observation, 95 percent of the Christian Science practitioners do not enter the practice until after the age of 40 and very few of them retire. The majority of the practitioners are in their sixties. It is usually during this period that they do their most effective work. In many instances they continue in active practice beyond the age

of 70. It is obvious, therefore, that this group as a whole will not derive any benefits from the social-security program.

One of the principal reasons that the House excluded physicians from the social-security program was the fact that the great majority of them continued to practice after they reached the age of 65 and consequently would receive no benefits. In my opinion, physicians were properly excluded. In fact I urged their exclusion. I hope the Senate follows the action of the House in this respect. I think it is obvious from what I have said that the reasons for excluding physicians apply even in a greater degree to Christian Science practitioners.

Thank you very much.

Senator MARTIN. Any questions, Senator George?

Senator GEORGE. No, questions.

Senator MARTIN. Senator Kerr wants to be here for the first two witnesses, so we will wait for a little while, and we will go to James Watt.

Is Mr. Watt present?

STATEMENT OF JAMES WATT REPRESENTING THE CHRISTIAN SCIENCE DENOMINATION

Mr. WATT. I have a very brief statement, Senator Martin.

My name is James Watt. I am manager of the Washington office of the Christian Science committee on publication, part of the administrative offices of the Christian Science denomination.

I am appearing before this committee today as the official representative of the Christian Science denomination, consisting of the First Church of Christ Scientist, in Boston, Mass., with its branches throughout the world, approximately 2,400 of which are in this country. Also, I speak as an individual Christian Science practitioner. We appreciate your courtesy in according us the opportunity to be heard.

We appear before your committee, because we, the Christian Science Church, are opposed to compulsory coverage for Christian Science practitioners who are occupied wholly in religious ministry. We recently requested the House Committee on Ways and Means not to include Christian Science practitioners in the social security program on a compulsory basis. The bill under consideration, H. R. 9366, which passed the House of Representatives on June 1 provided that Christian Science practitioners and other self-employed ministers of religion be covered on a compulsory basis.

We continue to be strongly opposed to compulsory coverage and request that the bill be amended to exclude Christian Science practitioners. We have noted that even though the House Ways and Means Committee at first included physicians on a compulsory basis, when a vigorous protest was made by the physicians, the committee reconsidered and reversed its action and excluded them. It is our understanding that the action was primarily based on the premise that doctors seldom retire and therefore would likely never benefit from the social-security program.

Senator GEORGE. That is true is it not of all professionals who follow their profession.

Mr. WATT. Yes, sir.

Senator GEORGE. If they become mere tradesmen and go out and work for somebody else, of course they occupy a slightly different

status, but practically all professional people work right up until the end. Some of them get sick, of course, and a few of them have to quit.

Mr. WATT. Of course you see the practice of Christian Science is a life-long religious ministry. A service.

Senator GEORGE. I thoroughly agree with your point of view, as far as I am concerned.

Mr. WATT. In our opinion, the reasoning behind this action was sound and we fully understand why the Ways and Means Committee reversed its decision. If it is sound logic for the physicians to be exempted, and we feel it is, it is equally justifiable for Christian Science practitioners, as they seldom retire. Often they do their most productive work after the ordinary retirement age.

In order that my presentation to your committee might be factual and informative and indicate unity of thinking on the part of Christian Science practitioners in requesting exclusion, the Christian Science Board of Directors, in Boston, Mass., wrote to every registered Christian Science practitioner in the United States—nearly 9,000—and asked their opinion in the matter. The directors' letter was so worded as to leave the individual Christian Science practitioner free to make his own decision and in no way sought to influence him.

The response has been immediate. In fact, we have heard from about 75 percent of the practitioners. Those who have indicated opposition and have expressed the desire to be excluded from compulsory social-security coverage constitute a majority of the total number of practitioners in the country, and the ones who did reply constitute 75 percent of those who replied and a considerable majority of the entire number of registered practitioners in the country.

Another reason why registered Christian Science practitioners should be excluded from compulsory social-security coverage stems from the fact that even though they are self-employed ministers of religion, their income being from fees paid by patients, they are qualified by, recognized by, and are accredited to our church by the Christian Science Board of Directors as an integral part of the Christian Science church organization and ministry. They can, therefore, be regarded as a religious order within the essential meaning of this term.

Inasmuch as Christian Science practitioners constitute what might be legally regarded as a religious order of our church, it would not, in our opinion, be consistent to have them covered by social security on a compulsory basis.

Our church organization is one of the church organizations that has elected to stay out of social security—to keep its employees out of it.

For the reasons which I have here indicated, we respectfully request that the Senate Finance Committee recommend to the Senate that this legislation—H. R. 9366—be amended to exclude Christian Science practitioners by name from social-security coverage.

Thank you very much.

Senator MARTIN. Any questions.

Senator KERR. Yes.

As I understand, the gist of your request is, you want the act amended to make it clear that Christian Science practitioners are not compelled to come under it.

Mr. WATT. That is correct.

Senator KERR. It might be interpreted that you meant that you wanted specific language that they couldn't come under it, even if they wanted to, on a voluntary basis.

Mr. WATT. We have made it emphatic to have them excluded because, we did that in 1950, and the House Ways and Means Committee excluded Christian Science practitioners by name. And then when I appeared before the Ways and Means Committee on this present bill, we asked that if it were possible that some of the Christian Science practitioners who had been employed before they were in the practice or who had been self-employed before they were in practice and had been covered, if there were a way that they could continue that, on a voluntary basis, we would like it, but with that, they simply put us in on a compulsory basis.

Everyone has told me there has never been an individual choice, and all the people in social security and in the Department of Health, Education, and Welfare tell me it is impossible to consider having an individual under, on an individual choice, voluntary basis.

Senator KERR. You understand that is just an opinion of employees of an agency and is not binding on the Congress.

Mr. WATT. It has been expressed to me by a man in the Treasury Department, one of the experts in the Treasury Department, and by an expert on the staff, on your joint committee that draws up this sort of legislation.

Senator KERR. You understand that they are creatures of the Congress and what they say is not binding on the Congress.

Mr. WATT. I so understand. But because we asked for voluntary coverage, if possible, and were then put under it on a compulsory basis, we felt it wise to ask to be excluded.

Senator KERR. Suppose this committee, in the exercise of its prerogatives and responsibilities, decides, first, to eliminate any language from this bill which makes coverage compulsory upon any group of people affiliated with the church, but then suppose the committee decides to include language which makes coverage optional for ministers of churches.

Would you still want the language to say that that optional privilege would be available to the ministers of all churches except the Christian Science?

Mr. WATT. I would, as an individual practitioner, because it is a matter of religious conviction to me, that I want no one to consider that my work in the ministry of religion is dependent—and my security—is dependent upon the State. However, there are some, I believe, who don't share that conviction, and there might be some Christian Science practitioners who would accept it on a voluntary basis.

Senator KERR. Well, you understand that the language I am talking about, if provided by this committee, would not make anything compulsory, or even persuasive upon anybody, but would merely leave the door open to those who wanted to enter on their own voluntary action.

Now the question I am asking you is this: Should that develop to be the case, or should that be what this committee does with reference to the ministers of all churches, would you, speaking for your church, say that you would still want this committee to specifically state that although that door is open to the ministers of all other

churches, if they want to enter it voluntarily, it is closed to Christian Science practitioners by specific, exclusive language?

Mr. WATT. Speaking for the church, I would say that we would not want that specific language, because that is the very thing we asked for in the House.

Senator CARLSON. Does the Christian Science Church at the present time take advantage of the coverage permitted personnel and employees of the Christian Science Church?

Mr. WATT. Our church elected not to put our church's people under social security and provide for them an outstanding thrift and savings program. In my statement, I point out that our practitioners really constitute an integral part of that church organization.

It would not seem consistent to us, when we have the stenographers and the linotype operators and the reporters on the Christian Science Monitor and the directors and the janitors not under social security—it wouldn't seem at all consistent to put the people who do the praying and healing and the pastoral work under on a compulsory basis.

Senator CARLSON. That is all.

Senator KERR. Well, Mr. Watt, I speak only for myself, but I do not believe that this committee is going to be disposed to compel any professional group—certainly any religious group—to come under this coverage, and I am sure this is the same identical reason for recognizing and respecting your religious convictions as exist for respecting of the religious convictions of any or all other groups.

My questions were directed solely because my own judgment is that we should make social security available to ministers on a voluntary basis, if they seek it and want it, but that in no respect and in no regard or instance should we make it on a compulsory basis, and I believe the answers you have given me indicate that that position is consistent with your own and your church.

Mr. WATT. It is; and I think it is a very fine position, and I would be most grateful if the committee acted that way.

Senator MARTIN. Thank you, Mr. Watt, for your very concise statement.

I understand that Dr. H. H. Hobbs, First Baptist Church, Oklahoma City; and Dr. Porter Routh, executive committee, desire to appear together.

STATEMENTS OF DR. H. H. HOBBS, FIRST BAPTIST CHURCH; AND DR. PORTER ROUTH, EXECUTIVE COMMITTEE OF SOUTHERN BAPTIST CONVENTION

Dr. ROUTH. We want to take as little time as possible because we know you are rushed.

You have a prepared statement which Dr. Hobbs and myself are presenting for the record and which you will have an opportunity to study when you have more time from the record.

Senator MARTIN. Your entire statement will be embodied in the record.

(The statement referred to follows:)

STATEMENT ON H. R. 9366 BY HERSCHEL H. HOBBS, PASTOR, FIRST BAPTIST CHURCH, OKLAHOMA CITY, OKLA., CHAIRMAN OF SPECIAL COMMITTEE ON SOCIAL SECURITY FOR THE EXECUTIVE COMMITTEE OF THE SOUTHERN BAPTIST CONVENTION; AND PORTER ROUTH, NASHVILLE, TENN., EXECUTIVE SECRETARY-TREASURER OF THE EXECUTIVE COMMITTEE OF THE SOUTHERN BAPTIST CONVENTION

The Southern Baptist Convention is composed of 29,400 churches, organized in 24 State conventions, and reporting a membership in 1953 of 7,880,016.

The purpose of the convention, as stated in the constitution, is as follows: "It is the purpose of the convention to provide a general organization for Baptists in the United States and its Territories for the promotion of Christian missions at home and abroad, and any other objects such as Christian education, benevolent enterprises, and social services which it may deem proper and advisable for the furtherance of the kingdom of God."

For the purpose of the consideration of H. R. 9366, and the application and administration as it may apply to church groups, it is well to consider the authority of the Southern Baptist Convention as outlined in article IV of the constitution: "While independent and sovereign in its own sphere, the convention does not claim and will never attempt to exercise any authority over any other Baptist body, whether church, auxiliary organizations, association, or convention."

Article IV of the constitution of the Georgia Baptist Convention, relating to powers, is as follows: "This convention shall never attempt to exercise authority over any church, but shall always cheerfully recognize and uphold the sovereignty, under Christ, of the churches."

A similar provision will be found in the constitution of each of the 24 State conventions which is affiliated with the Southern Baptist Convention. Similar provisions will also be found in the constitutions of the 1,017 association in the territory of the Southern Baptist Convention. The association generally follows county lines, although this is not true in every case. This background information is given to call attention to the fact that there is no national regional group that can make a decision for a Baptist church.

At the meeting of the Southern Baptist Convention held in Houston, Tex., in May 1953, the matter of the coverage of ordained ministers under the provisions of the Social Security Act was brought to the attention of the convention, and was referred to the executive committee.

The executive committee studied the matter extensively and found that the problem was far from a simple one. Good men everywhere hold diverse views with regard to it. The following recommendations were presented to the executive committee on December 16, 1953, and were approved:

Recommendations, December 16, 1953

"Your Committee recommends:

"1. That the executive committee inaugurate at once a program of information through the Baptist program and the denominational press concerning the proposed social-security program and our denominational retirement program.

"2. This body take necessary action to secure for our people representation at the public hearings before congressional committees, Washington, D. C., whenever such hearings are held. It is our conviction that request should be made, in the light of all the facts, for a coverage bill least objectionable to our people and presenting fewer complications in the future. It should be a bill calling for a social-security contract betwcen the Federal Government and the individual, without in any sense involving the churches.

"3. Remind our entire constituency that the relief and annuity board is the denominational agency in the field of protective plans, retirement and otherwise, urging that in every case where social-security coverage is secured for our denominational servants, it be in addition to that offered by the relief and annuity board, never as a substitute for that protection."

Southern Baptist Convention, June 3, 1954

"H. R. 9366 was approved by the House of Representatives on June 1, 1954, and contains the provision (H. Rept. 1698): 'The bill provides for covering employed ministers and members of religious orders (other than those who have taken a vow of poverty) under provisions which are essentially the same as those under which lay employees of nonprofit organizations are now covered. Ministerial employees and lay employees would be separate groups for purpose of coverage, but an organization which had both lay employees and ministerial employees

could not cover the ministerial employees unless the lay employees were also covered.

"'The Internal Revenue Code would be amended (sec. 1426L) to provide that the period for which the certificate is effective may be terminated by the organization at the end of a specified calendar quarter, upon giving 2 years' advance notice, but only if the certificate has been in effect for a period of not less than 8 years at the time of the receipt of the notice of termination.'"

At the meeting of the Southern Baptist Convention held in St. Louis on June 2, 1954, the following recommendations were approved:

"1. It is our conviction that a request should be made to the Senate Finance Committee for a social-security bill covering ministers which would be least objectionable to our people and presenting fewer complications in the future. It should be a bill calling for a social-security contract between the Federal Government and the individual, without in any sense involving the churches.

"2. It is our further conviction that in the event the above is not provided, we will request a social-security bill with the provision that both the minister and the employing organization should have elected coverage in order to effect or maintain participation."

The decision to ask for an amendment to H. R. 9366 to provide for the voluntary coverage of ministers under the self-employment provision is based on several factors. In the first place, it is recognized that any church or any individual pastor has a right, as far as the denomination is concerned, to reject or accept the coverage for ministers under social security. Under provisions of the bill without the self-employment provision, it can be seen that there would be real difficulties in the normal church-pastor relationship if a pastor were covered by social security in one church, and should be called to another church that had rejected the social-security system, and therefore the pastor would be ineligible for the benefits which he might feel to be his right as a participating citizen. On the other hand, a church with social security might find itself embarrassed in trying to call as pastor a man who had conscientious objections to the social-security provisions for the ordained minister. Since the average tenure for the Southern Baptist minister is less than 3 years, it can be seen that the many problems created by varied attitudes would be a disturbing factor in the life of the denomination. These disturbing factors would not be present were the bill amended to provide for the voluntary coverage of ministers under the self-employment provision, where the contract would be with the individual rather than with the church.

Finally, it seems that there would be problems in the administration of any system where the churches would need to enter into contract. Of the 29,496 churches in the Southern Baptist Convention, 19,295 are full-time churches; 292 churches have services 3 times a month; 7,573 have services twice a month; and 2,304 have services once a month. Many of the men who serve as pastors of half-time or quarter-time churches serve more than one church. Many of these men need the coverage of social security greater than any other group, and under the self-employment provision it is assumed that their social security would be based on their total compensation rather than the amount received from any one church, which might or might not decide to enter the plan. For example, the average annual salary paid by the quarter-time church in the Southern Baptist Convention is only $259, and the average annual salary paid by the half-time church in the Southern Baptist Convention is only $610. This compares with the average annual salary of $2,660 paid by the 19,295 full-time churches.

The alternate proposal is one which we understand also has the recommendation of the church pensions conference, and although we know that it would not be as satisfactory to as many Southern Baptist ministers as the first recommendation, we sincerely believe that it would eliminate many of the objections, which might create real administrative problems. At the same time we do not believe that the second recommendation would present any actuarial problems which might conceivably be involved in the first.

Therefore, Mr. Chairman, in the consideration of H. R. 9366, we again express the conviction that request should be made to the Senate Finance Committee for a social-security bill covering ministers which would be least objectionable to our people and presenting fewer complications in the future. It should be a bill calling for a social-security contract between the Federal Government and the individual, without in any sense involving the churches.

If in the opinion of this committee, after consultation with the Social Security Board, it is felt that the first recommendation, which is embodied in S. 3278 as introduced by Mr. Hill, Mr. Holland, Mr. Sparkman, and Mr. Long, contains

provisions which the Social Security Board holds would make the plan unworkable, that the Senate Finance Committee recommend amendments to H. R. 9366 to provide a social-security bill with provision that both the minister and the employing organization should have elected coverage in order to effect or maintain participation.

Dr. ROUTH. I should like to read the action taken by the Southern Baptist Convention in its session in St. Louis, Mo., just a few weeks ago, which was a recommendation from the executive committee and which was approved by the Southern Baptist Convention.

> It is our conviction that a request should be made to the Senate Finance Committee for a social-security bill covering ministers which would be least objectionable to our people and presenting fewer complications in the future. It should be a bill calling for a social-security contract between the Federal Government and the individual, without in any sense involving the churches.

I think that is the point of view expressed by Senator Kerr a few moments ago, and that is that it should be a matter of employment, self-employment counting the ministers as self-employed, but purely on a voluntary basis.

Right at that point in the hearings before the House Ways and Means Committee, Mr. Huggins, who serves as the actuary for the church pensions conference and for a number of the church pensions groups, told me he had discussed the matter with one of the actuaries of the Social Security Board, and that this man had told him that although there are problems, which you can understand from a statistical point of view, in the matter of adverse selection of risks, that actually there would not be any problems that would be too great for them to work out as far as the social-security system is concerned, if they could work this out on a voluntary basis.

I think the Social Security Board itself realizes that this is a possibility, and they are prepared to work out any problems which might come about.

The second recommendation which was approved:

> It is our further conviction that in the event the above is not provided, we will request a social security bill with the provision that both the minister and the employing organization should have elected coverage in order to effect or maintain participation.

I might say there are in the Southern Baptist Convention approximately 30,000 churches and, of these churches, more than 10,000 are what we think of as quarter- or half-time churches. The same thing is true of the National Baptist Convention of U. S. A., Inc., which is the Negro Baptist convention. They have more than 25,000 churches, and a majority of those churches are quarter- and half-time churches.

You can see the problem that would be created in trying to effect a contract with these individual churches where a man might be pastor of 2 or 3 or possibly 4 churches. The church itself is the employing organization, as far as our denomination is concerned, and as far as more than 50,000 ministers, nearly a fifth of the total number of ministers who would be covered under the provisions of this act.

Senator KERR. Let me see if I get that exactly.

I understand what you are telling us is that the denomination is not the employing agency, nor is the convention, but rather the individual church.

Dr. ROUTH. That is correct. As far as our policy is concerned, the denomination, the State convention or the association has no control over any individual congregation and, therefore, the individual

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congregation would be the employing organization. And no contract could be written by the Southern Baptist Convention, by the State convention, or by the association on behalf of any individual minister.

So it would have to be a contract written by the individual church, if the present provisions of the bill were kept in the act.

Senator KERR. So, insofar as the Southern Baptist Convention or the Oklahoma Baptist Convention or the National Baptist or the American Baptist Convention is concerned, if we were to pass a law, either making coverage of ministers compulsory or giving the ministers of a denomination the privilege of coming under it, provided two-thirds of all of them agreed to it, there would be an impossible situation so far as this denomination is concerned, because when you talk about two-thirds of the ministers in the denomination, you are talking about actually just as many or more employing agencies as you are talking about ministers.

Dr. ROUTH. That is right. Actually in most of those cases the minister is the only employee. Of course a number of churches have a staff where you would have 2 or 3 or more people.

Senator KERR. Isn't, in reality, it often the case that the minister is not only the exclusive employee but the sole employee of the agency?

Dr. ROUTH. I suppose that would be true in some cases.

Senator KERR. Or the directing head or influence in the employing agency.

Dr. ROUTH. And in many cases that would be true in more than one church.

Senator KERR. Not under the letter of the charter, or organization, but as a matter or practical practice.

Dr. ROUTH. That is right.

I think I ought to report to you gentlemen that from the sample I have made—and I have made a rather wide sample—I would say the majority of ministers are not asking for exclusion under the terms of the act. But I do think it would be fair to say that there are a number who do have conscientious objections, and I know from the viewpoint of administration that you would have individual problems created.

I have asked Dr. Hobbs, who is the chairman of our special committee on this social security matter, and a member of our committee, the pastor of the First Baptist Church of Oklahoma City, to discuss some of these problems.

Dr. HOBBS. Thank you, Mr. Chairman, and gentlemen of the committee.

A number of the things that I planned to mention have been covered in the questioning so I shall pass those by, but there are 2 or 3 things that I would like to mention briefly, and I will be just as brief as possible.

We were talking about the pastor-church relationship. Under the Southern Baptist Convention, the convention in its constitution says that it will exercise no authority over any other Baptist body, either State convention or local Baptist association, which generally comprises a county area or a local Baptist church.

In other words, every Baptist body is completely democratic and autonomous.

Senator KERR. And voluntary?

Dr. HOBBS. That is right.

And while we cooperate with other churches as a denomination, we are an independent—every Baptist church and every Baptist for that matter is independent and we express our independence through voluntary cooperation.

Therefore, there is no ecclesiastical authority that could account or speak for Southern Baptists. We are here today, not representing Southern Baptist churches——

Senator KERR. You come for the churches in the Southern Baptist Convention or the preachers therein?

Dr. HOBBS. That is right.

We are not here representing Southern Baptists, we are here as those who were asked to come and speak on an action taken by the Southern Baptist Convention in session.

But the actions of that convention are not binding on the local church except as the local church chooses to cooperate.

Senator MARTIN. May I ask a question there: Suppose your State organization or your national organization would agree to come in under the law. There isn't anything in your church law forcing that mandate on the individual pastor or the individual church?

Dr. HOBBS. No, sir.

Dr. ROUTH. As a matter of fact our Southern Baptist Convention or State convention would never take such action because we realize that is the responsibility of the individual congregation, and we would never take such action as that as a national body or as a State group.

Senator MARTIN. I understand. Go ahead.

Senator KERR. Such action is neither authorized by the Southern Baptist or any State convention, but such action is specifically prohibited by language in each of those charters?

Dr. HOBBS. That is right.

Now, continuing this pastor-church relationship, it follows, therefore, that an individual church extends a call to an individual pastor acting as it believes under divine leadership. The pastor, in turn, as an individual, accepts or rejects the call of that church as he feels led in his own judgment.

Because of that, the bill that is under consideration that was passed by the House has a number of inherent problems as far as Southern Baptists can see it.

Under the bill, the church and the pastor have the right to reject coverage at the beginning.

Now, in the event that a church and the present pastor of that church should elect to go into the social-security plan along with the lay employees, if they have any, then in the course of time—and the average length of a pastorate in the Southern Baptist Convention is 3 years, counting the small country church and all together.

Suppose at the end of the 3-year period the church is without a pastor and is seeking one. It is in the social-security plan and as such, according to this bill, it has to stay in for at least 10 years. The pastor that they feel they are to call is not in this social-security plan and, for conscientious objections, does not want to go in. Then the relationship between the pastor and the church, or the man and the church, is complicated.

Senator LONG. May I interrupt there to ask a question of you?

Dr. HOBBS. Yes.

Senator LONG. Your organization would favor the voluntary plan, wouldn't they, where the individual could elect whether he wanted to come in or not, is that right?

Dr. HOBBS. On a voluntary, self-employed basis.

Sentor LONG. The main argument against that is that social security feels that if you do that, the older fellows, 63, 64, and 65 will come on in to get the benefit of the coverage, while the younger people who pay more before they get the benefit would not come in; and, therefore, you would get the burdensome group of the population where you would not get the more profitable ones.

Let us put it that way.

It would occur to me that a possible way to resolve this impasse would be if a person does not elect now to come in and waits until he gets to be 60, 62, or 63, that we might try to work some formula out where he would pay up either all or part of what he had not paid during the previous years when he, by his own option, decided not to come in. It seems to me that would tend to eliminate or else completely resolve the objection of the agency.

Would that appeal to you?

Dr. ROUTH. We have similar provisions in our own pension fund.

Dr HOBBS. That is right. I was going to say we face that same problem with the Southern Baptist relief and annuity board, which is our ministers retirement plan. The older men wanted to get in right away. The younger men were hesitant about coming in, so in order to resolve that difficulty, the convention set a deadline and, if they didn't get in—any man who was in the active pastorate and did not come into the plan by that time, then if he came in at any future date he was penalized, as you indicated. He had to pay up his back dues.

Senator LONG. I have that restriction on my veteran's pension with the Federal Government today, and this committee passed that same bill, and that says that if you don't keep up your payments on your service insurance that all expires. But I still have the option, as I understand, to go back and pay up all those back premiums that I have not paid in the past 4 or 5 years, and get back under.

Senator KERR. As long as you are still insurable.

Senator LONG. Yes, I suppose so. But still you could get the benefit of that insurance if you wanted to go back and make up those back premiums. Most people could.

Senator KERR. If you could pass the physical.

Senator LONG. You don't worry about that under social security. The sooner a man dies the less burden you have.

The principle could work with regard to this circumstance, I think.

Senator MARTIN. Senator Long, in the employees' retirement plan of the Commonwealth of Pennsylvania, we have that provision, that if a man for some reason didn't go in and then later elects to go in, he then pays up his arrearages, and then he has just the same investment as the man who has carried it longer.

Go ahead.

Dr. HOBBS. That brings up one other thing and that is that the present bill you are considering now calls for what we call a voluntary participation on the part of the church, along with the pastor. But it becomes compulsory thereafter. If the relationship is to continue between the pastor and the church. In other words, if the church

calls the pastor and he is not in social security, in order for the relationship to be resolved, he is compelled to go in.

It seems to us the reason why the Southern Baptist Convention voted to request a bill which would require a voluntary, self-employed basis on the part of the minister and not involving churches at all, is quite clear.

Now, I noticed in the comments in the House bill that the actuaries said that one of their problems was the one that you mentioned a moment ago, that the younger men would not come in and the older men would come in. Where the church and the pastor are both involved in this thing, I fear, among Southern Baptists, for instance, that that will be an additional—I mean there will be even a smaller group in, because if the pastor wants to go in and the church is a purely democratic body, many of the churches will not go in because they will see there a church-state relationship which the pastor, perhaps, will not see.

On the other hand, many pastors—one of the problems we had in getting up our denominational plan was that the pastors were hesitant to ask the church to go in, feeling that they were asking for something for themselves.

The self-employed, voluntary basis, of course, would eliminate that problem also.

Now, the second request, or the alternative that the Southern Baptists suggested that would be next in line for their desires, was a bill or a provision, an amendment to the House bill, which would allow the church and the pastor to enjoy an elected participation. Of course, our interpretation of that is simply this, that if a church is in this plan—of course, it elects to go in, and the pastor elects to go in. Forever thereafter, if they change pastors, the new pastor would also have the privilege of electing, if he were not already in the plan, of electing whether to go in, or not. I can see that presents a problem, however. Suppose the pastor elects not to go in and the church goes in? What happens to the church?

On that basis it seems the voluntary, self-employed basis, if a bill of that nature, something similar to the bill that I understand Senator Hill and others introduced, S. 3278—I have read that bill, and I believe it more nearly comes to being what Southern Baptists would be happy to have than any other provision that we have seen.

In the event, however, that that is not found to be actuarially possible, then we would like to see a bill which would give the pastor and the church the right to elect, both at the beginning and forever thereafter, whenever a pastor and church relationship were brought to pass.

Senator KERR. In other words, as you said, it is not the day of the pastor and his church but of the church and its pastor, and then in a matter of weeks, months, or years, he is no longer the pastor of that church and they secure another, that at that time it would be an elective matter as to that pastor and church as to whether or not they would be covered?

Dr. HOBBS. That is right.

Senator KERR. Now, with regard to this problem of the older ones coming in and the younger ones not, I am sure that you know that every social-security bill that has been passed had far less requirement for older people to be covered than for younger ones. Wouldn't you

think that if this bill had the same privilege and then, as Senator Long has suggested, a requirement that if any did not elect to come in within any given time, that at any time thereafter they did try to come in or want to come in, they could do so on the basis of paying up their arrearages that they would have paid had they come in to begin with?

Dr. HOBBS. I think it would be well to mention at that point, too, Mr. Chairman, that a year ago when this committee of which I happen to be chairman reported to our executive committee of the Southern Baptist Convention, among other things we recommended that a program of education be inaugurated through our various denominational agencies, to inform our pastors about the bill that finally is passed. We haven't done so, waiting to see what the bill would be.

I rather think that it would be our disposition to urge our pastors to come into this voluntary, self-employed program, if that were the program. Not in the place of the denominational retirement plan, but as a supplement to it.

Senator LONG. If I might interject here, as time goes by and more and more preachers come under Social Security, the others will feel more of an inclination to come on into this thing and pay up their share. As long as what we are proposing here is of no loss to the Government. I think we ought to go ahead with that type program.

Now, one point that has been overlooked is that for many of these people, if you don't work it out so they can come in under Social Security, you are going to have to pick them up on your public welfare load anyway without them contributing to it, so it is desirable to work out a system that would encourage them to come in and not make it compulsory upon them or not make anyone violate his religious beliefs and things of that sort.

Dr. ROUTH. In closing I think I might say that the family provisions would motivate many young men to come in.

For example, the average annual salary paid by the quarter-time church—that is met once a month—was only $259 a year. The annual average salary for the half time was only $610 per year. Compared with the average annual salary, of full-time churches, of $2,666. So you see these men are not highly paid men and they are going to be interested in some bill which will provide for their families in case of some difficulty.

Senator MARTIN. Any questions, Senator George?

Senator GEORGE. I have no questions.

Of course, what you have been talking about is the Baptist. When you get into the Methodist church, you have a different setup, of course.

Dr. ROUTH. There, your conference is your employing organization and it is a little bit different.

Senator MARTIN. Any further questions?

Senator GEORGE. No questions.

Dr. HOBBS. I would like as one concluding statement, Mr. Chairman, to say this, that as I understand the feeling of Southern Baptists generally, I think that a bill which made the minister—let him come in on a voluntary, self-employed basis, with a deadline as to when he shall come in, if he is already in the pastorate, without the penalty, I think that would solve our problems, generally.

Senator MARTIN. Thank you very much.

At this point in the record we will insert the statement of Donald H. Gill, assistant secretary of affairs of the National Association of Evangelicals on the coverage of ministers under H. R. 9336.

STATEMENT OF DONALD H. GILL, ASSISTANT SECRETARY OF AFFAIRS OF THE NATIONAL ASSOCIATION OF EVANGELICALS, ON THE COVERAGE OF MINISTERS UNDER H. R. 9366

My name is Donald H. Gill, and I am the assistant secretary of affairs of the National Association of Evangelicals. This is an association of evangelical churches, denominations, and other institutions holding the evangelical viewpoint. It is composed of 36 denominations of Christians which have affiliated themselves by denominational action. In addition, there are many individual churches, colleges, and other Christian institutions, as well as thousands of individual Christians, totaling more than a million in all, with representatives in every State in the Union. The various agencies of the association serve a constituency of approximately 10 million. The headquarters are in Chicago, Ill., and branch or service offices are maintained in Boston, New York, Washington, D. C., Minneapolis, Portland, and Los Angeles.

Our association has not, up to this point, given testimony on the matter of coverage of ministers under the social-security program. Our association has, however, been greatly concerned over the possibility that social security should be made available in an employee-employer relationship which would in effect eventually violate the principle of separation of church and state.

In a brief way, may I make clear the following points:

(1) That there is no doubt whatsoever that a large majority of our constituent members desire that the benefits of participation in the social-security program should be made available to ministers on a voluntary basis as to individual participation at any point.

(2) That the members of our association wish H. R. 9366 to be amended to make the above possible.

(3) That the general feeling in our association is opposed to the binding and compulsory effect of H. R. 9366 as it now stands.

It is our understanding that the above program on a voluntary basis is the most feasible program which could apply to our constituency. It is also our understanding that this program would be well within the realm of administrative possibility under OASI.

May I thank you for the opportunity to present this testimony and may I urge that you give these measures full consideration?

Senator MARTIN. The next witness is Lawrence M. Helfgott, joint retirement board of the United Synagogue of America.

STATEMENT OF LAWRENCE M. HELFGOTT, EXECUTIVE SECRETARY, JOINT RETIREMENT BOARD, UNITED SYNAGOGUE OF AMERICA

Mr. HELFGOTT. Mr. Chairman and gentlemen of the committee, my name is Lawrence M. Helfgott. I am executive secretary of the joint retirement board of the United Synagogue of America, the Rabbinical Assembly of America, and the Jewish Theological Seminary of America.

That, by the way, is the conservative group. Additionally, I am authorized to speak for the Synagogue Council of America representing the three branches of religious Judaism in the United States; I speak also for the New York Board of Rabbis consisting of 700 orthodox, conservative, and reform rabbis. In all, the views of about 1,800 rabbis and some 1,600 congregations are represented here.

I appreciate your courtesy in having me here today and am mindful of the limitations of time. I shall, therefore, restrict my comment to

a short prefatory statement, and to those sections of H. R. 9366 which deal with the permissive coverage of "ministers and members of religious orders."

The formal retirement systems available to rabbis is of relatively recent origin. While a gift for this purpose was made by the late Jacob H. Schiff in 1917, it was not until 1944 that the first plan arising therefrom came into being; that was the reform group. The plan sponsored by the Joint Retirement Board was adopted as from March 1946 and a third group followed with its plan shortly thereafter. None of these plans has made adequate provision for pension credits arising from the service of the rabbi to his congregation in the years prior to the adoption of such plans; thus the annuity produced is entirely inadequate, with the result that many congregations have elected not to come under these plans, preferring to defer their pension liability or to operate on a pay-as-you-go basis. Given the opportunity I know that many who have heretofore abstained from participating in any of the pension plans available to them will now join, since the added retirement income provided under OASI will make for a more realistic pension.

I might add that our congregations are each autonomous. We have the same situation that Dr. Hobbs pointed out.

Senator KERR. Repeat that; will you?

Mr. HELFGOTT. Each congregation is its own master. There is no hierarchy which can dictate whether or not a congregation or a rabbi should come into the plan.

Senator KERR. In other words, is there similarity in the principles and the structure of your organization and units that have been described here?

Mr. HELFGOTT. That is correct. We have the same situation as that Dr. Hobbs described.

The organizations for which I speak have all recorded their interest in and support of this legislation as it relates to them. It is my considered opinion that the congregations will welcome the opportunity to include their spiritual leaders in the old-age and survivors insurance program as they have the lay members of their staffs, and accordingly, I strongly urge the enactment of H. R. 9366 into law, subject to its modification as discussed herein.

It is recognized that some members of the clergy may not wish to participate in OASI and in this connection I refer to section 210 (a) (8) (A) of the Social Security Act, as amended in H. R. 9366, which permits the filing on behalf of ministers the waiver of exemption pursuant to section 1426 (l) (i) of the Internal Revenue Code.

However, if the minister is elected to the pulpit after the particular congregation has filed the waiver, he is automatically covered under OASI—that is a point that Dr. Hobbs made—thereby limiting the number of congregations to which he would be available if he did not wish to be insured thereunder. Thus the expressed intent to recognize the wishes of the minister has been sharply limited.

Accordingly, I recommend that the phrases appearing under the designation (ii) in section 210 (a) (8) (A) and (B) of the Social Security Act and section 1426 (b) (8) (A) and (B) of the Internal Revenue Code be deleted from H. R. 9366.

That section has to do with the filing of the waiver. My suggestion is to eliminate the phrase:

Who became an employee of such organization after the certificate was filed, and after such waiting period began.

Senator KERR. Is the gist of your recommendation somewhat similar to those we have just listened to?

Mr. HELFGOTT. This is the actual, practical approach to it. Their recommendation may boil down to this. I have simplified it a bit. Just by eliminating this one phrase.

Senator KERR. Do your recommendations add up pretty well to those of the groups we have just heard?

Mr. HELFGOTT. That is correct, except that I have suggested the actual means of doing it. And incidentally, in this connection, from an actuarial standpoint and the question of adverse selection, it is my firm belief that at least 90 percent of our rabbis will wish to be covered under social security, and I think at least that many of the congregations.

Now, as to the age—well, that 90 percent would cover all ages.

Our experience under our present plan is that we are taking in an awful lot of younger men. The greatest number of entrants into the plan are those who were in their second to fourth years in the rabbinate. The age is 26, 27 to 30.

Paragraph (2) of section 101 (d) of the bill in effect makes coverage as to income of ministers which is derived from self-employment—such as the performance of weddings—compulsory. In the light of the foregoing, it is my suggestion that such coverage be compulsory only as to such income of covered ministers which when combined with covered wages does not exceed $4,200 per annum.

That is a little windy but what it means to say is that the minister's or the rabbi's income outside his wage from the congregation such as fees and honoraria that he may receive—those may be ordinarily covered. He may have $2,000 or $3,000 of that which when combined with his salary will exceed the $4,200 and as the machinery is set up the minister would have to request refunds. I would shortcut that thing by combining the two in his income-tax return. If he has paid on $4,200 of salary then no part of the independent income is taxable for OASI.

Senator KERR. What you are saying is, then, that the amount of income that should be taxed for OASI, should not exceed $4,200.

Mr. HELFGOTT. $4,200 from all sources.

An important amendment to the Social Security Act which is made by H. R. 9366 is the addition of what amounts to "a waiver of premium" in the event of total and permanent disability. In the newly added subsection (i) of section 216, disability is defined as "inability to engage in any substantial gainful activity * * *." Section 221 sets up the machinery under a State agency for the determination of the existence of disability as it is defined: I submit that disability as defined herein could preclude the granting of benefits under this section to a minister who may through disability be prevented from discharging an important part of his normal duties, yet would not qualify for disability benefits under the above definition.

In other words, as it is defined in the act, the man must be disabled from performing any gainful duty. Yet, we would not expect a minister, say, who has lost his voice, and therefore could not perform one of his major functions, you would not expect him to engage in a much more menial activity such as any of the physical labors.

So, in effect, I think you need a little broader interpretation in that connection.

May I suggest that language be inserted in the bill which would give the State agency a measure of latitude in such instances even though avenues are available to review any determinations made by such State agency.

I am pleased to note that the term "employee" as used in sections 210 of the Social Security Act and 1,426 of the Internal Revenue Code are not to be construed to mean that any minister is an employee of an organization for any purpose other than the purposes of such sections.

The addition of up to about 250,000 members of the clergy to coverage under OASI as provided for in this bill is, to my mind, a long step forward in the program of social-security legislation. I believe that their inclusion will add to the rolls an honored group whose stability will add to the strength of the social-security system. I believe, too, this coverage will, over the years, have an extremely beneficial effect on the members of the clergy and on the religious and charitable organizations with which they are associated. May I again, on behalf of my sponsors, thank you for giving me this opportunity to make this presentation before you. I would appreciate it if the statement which I have here were made a part of the record.

Thank you.

Senator MARTIN. Are there any further questions?

Senator GEORGE. No, no questions.

(The prepared statement of Mr. Helfgott follows:)

Mr. Chairman, my name is Lawrence M. Helfgott. I am executive secretary of the Joint Retirement Board of the United Synagogue of America, the Rabbinical Assembly of America and the Jewish Theological Seminary of America. Additionally, I am authorized to speak for the Synagogue Council of American representing the three branches of religious Judaism in the United States. I speak also for the New York Board of Rabbis consisting of 700 Orthodox, Conservative and Reform Rabbis. In all, the views of about 1,800 rabbis and some 1,600 congregations are represented here.

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Senator MARTIN. Thank you very much Mr. Helfgott.

The next witness is Dr. Wilbert J. Huff, of the University of Maryland.

I might say that Senator Butler was anxious to be here this morning but he must attend a meeting of the Judiciary and can't be here.

Go ahead, Doctor.

STATEMENT OF WILBERT J. HUFF, UNIVERSITY OF MARYLAND

Dr. HUFF. Mr. Chairman, and members of the committee, thank you for your courtesy in allowing me to appear. I shall read a prepared statement which you have, which is very brief, and be as mindful as possible of the limitations of your time.

I would, however, like to amplify a little at the end if I may.

(Dr. Huff then read the first two paragraphs of his statement, which statement is given in full below.)

My name is Wilbert J. Huff. I am chairman and professor of chemical engineering, University of Maryland, College Park, chairman of the division of physical sciences of that university and director of the engineering experiment station. I am a member of the administrative board of the University and chairman of the committee on social security of that board. I am also chairman

of the committee on social security and retirement of the Maryland chapter, American Association of University Professors. At the 1954 hearings conducted by the House Ways and Means Committee on amendments to the Social Security Act, specifically the hearings on H. R. 7199, I represented the interests above identified and also the national administration of the American Association of University Professors. My testimony appears in the printed report of the hearings on H. R. 7199 for Friday, April 9, 1954, pages 508-514.

It is our understanding that much that we desired in H. R. 7199 has been incorporated in H. R. 9366 and so adopted by the House. I shall spare you reiteration of our general testimony in favor of the adoption of such amendments and for these items rest upon the record cited and urge Senate adoption of the corresponding features of H. R. 9366.

My statement will for brevity be directed only to one additional item which was not incorporated in H. R. 9366, and without which I fear many State institutions of higher education may be denied social-security coverage in spite of the obvious intent of H. R. 9366 to extend such coverage if the employees concerned so desire it.

The item of interest relates to the amendment of section 218 (d) of the Social Security Act, specifically to the constitution of referenda groups set up as on page 13 ff. of H. R. 9366, and particular paragraph (6) beginning on the bottom of page 15 of H. R. 9366 and continuing on page 16. There is desired the insertion at the end of paragraph (6) a short paragraph to be numbered (7) for section 218 (d) of the Social Security Act, as follows:

"(7) Any public college, university, or other institution of higher education shall, if the State so desires, be deemed to be a separate retirement system for the purposes of the preceding paragraphs of this subsection."

This amendment in this form was first proposed by the Wayne University, Detroit, Mich., Chapter of American Association of University Professors (cf. hearings on H. R. 7199, p. 515). The compelling reasons for this request lie in the fact that may State colleges and universities participate in the State-retirement systems for general public-school teachers and/or Government employees whose tenure may not be long.

Many public-school teachers and local government employees expect to serve only a few years in transition to matrimony or other pursuit and have little or no interest in retirement or survivorship benefits. Such public school or government groups may vote heavily against affiliation with OASI, whereas the college or university groups may vote heavily for it. The latter groups may thus, because of their smaller numbers, be denied affiliation. If there be provided separate referenda, the State college and university groups may thus affiliate if they so desire and the public-school teachers and the other government employees may choose as they wish.

Our national existence in this atomic age may fairly be said to depend upon the contributions to national defense made possible by the scientific attainments of the graduates, staffs, and laboratories of institutions of higher education. With changing economic conditions, the dependence upon State supported colleges and universities grows heavier and heavier. With salaries lagging far behind inflation, the staffs of such institutions cannot develop adequate self-retirement protection; moreover, present State retirement plans are quite inadequate. Prospective heavy increases in enrollment and continuing shortages in competent candidates for staff recruitment require that we make staff service attractive. The extension of OASI to State institutions of higher education without impairment of existing State retirement benefits is an important means to that end.

On behalf of the personnel concerned and on the broad national grounds of welfare, I therefore respectfully request favorable consideration for the insertion of the suggested amendment.

Senator MARTIN. Doctor, your entire statement will be incorporated in our record, and if you desire to make your comments, we will be glad to hear them.

Dr. HUFF. Unfortunately, the insertion suggested in the prepared statement may be held not applicable to institutions in which the employees are classified in more than one category. Thus at the University of Maryland 2 different retirement laws operate, 1 for the teaching staff and 1 for the classified employees. Accordingly, I wish to make a further addition.

Senator MARTIN. The whole question including that will be included in our record. Are there any questions?

Dr. HUFF. I haven't given this addition which I would like to add to the above suggested paragraph (7):

If two or more State retirement systems cover the employees of any given public college, university, or other institution of higher learning, the employees concerned in each shall, if the State so desires, be deemed to be a separate retirement system for the purposes of the preceding paragraphs of this subsection.

Senator MARTIN. Are there any questions? If not, thank you very much.

Now, that is a call to the floor.

The next four witnesses are Ernest Peffer, New Jersey Education Association; Kermit M. Stover, Pennsylvania State Education Association; Dr. Wilfred J. Sheehan, Connecticut Education Association; Miss Selma Borchard, American Federation of Teachers—it is all along the same line.

Could you submit your statements and then possibly sum up with a brief oral statement?

Senator KERR. I must go.

Miss BORCHARD. Mr. Chairman, the American Federation of Teachers is not in accord with those other witnesses that you have mentioned.

Mr. SHEEHAN. We will file our statement.

Mr. PEFFER. I am Mr. Peffer of the New Jersey Education Association. We are not in accord with some of the proposals.

(The prepared statement of Mr. Sheehan follows:)

STATEMENT OF WILFRED J. SHEEHAN, HARTFORD 6, CONN., DIRECTOR OF RESEARCH, CONNECTICUT EDUCATION ASSOCIATION

Mr. Chairman and members of the committee, I am Wilfred J. Sheehan, director of research for the Connecticut Education Association, speaking here for 12,500 Connecticut teachers and school administrators who are active members of this association.

I wish to place the Connecticut Education Association on record in support of H. R. 9366 and, in particular, section 101 (h) which concerns public employees covered by State or local retirement systems.

Moreover, the CEA wishes to support without reservation the statement of Mr. Nathan Yelton of the National Council on Teacher Retirement before this committee.

The CEA has been deeply concerned with the proposals to amend section 218 (d) of the Social Security Act. And in this connection, we have polled all State educational associations on this issue.

This poll of the other States reveals that education associations, representing better than 74 percent of all teachers of the Nation, are opposed to integration of State retirement systems with OASI.[1] Hence, we are reenforced in our conviction that it would be in the best interests of the vast majority of the Nation's teachers to enact and further strengthen the basic principles amending section 218 (d) of the Social Security Act as incorporated in H. R. 9366.

The teachers of Connecticut, from the inception of their retirement system in 1917, have worked unremittingly to develop our present actuarially sound retirement system. Here we have successfully pioneered the concept that such a system, with joint contributions by the State and the teachers, was a good investment in the well-being of Connecticut's educational enterprise. Moreover, we believe that public support and concern for this system is more properly a responsibility of the State, rather than espousing any system that might add further financial burdens to the Federal Government.

The financial rewards for teachers have never been adequate, and for a large majority of our teachers, the retirement for which they have worked a lifetime, contributing each year 5 percent of their salary, is their only hope for a slight measure of comfort in their old age.

[1] A copy of the findings of this inquiry is attached.

And today, when our teachers hear rumors on every hand that there is a possibility afoot of some plan for integrating, in a manner yet indefined and unspecified, their Connecticut retirement system with OASI, these teachers are deeply troubled. Indeed, many who are eligible for retirement, yet with possible useful years of service, are retiring. Many more are watching the outcome of this legislation. And in the event that the minimum basic safeguards—including the referendum provisions—now embodied in H. R. 9366, fail of enactment, there will be a further large number of such retirements. This will aggravate an already serious teacher shortage in Connecticut, as elsewhere throughout the Nation.

Again, Connecticut teachers have studied with deep forebodings the pattern of development, described briefly by Mr. Yelton, in the seven States that have integrated their public employee retirement systems with Federal social secutiry. These teachers feel that the position here of the National Council on Teacher Retirement is equitable for all public employees.

They seek merely those safeguards that will assure the members of our State teacher retirement system with their interests are not jeopardized through Federal legislation.

Therefore, in conclusion, may we respectfully urge that:

1. The conditions of the referendum spelled out in H. R. 9366 be maintained and strengthened as suggested by the National Council on Teacher Retirement.

2. In order that public employees will have a clear understanding of what they may be called to vote on in such a referendum, full and essential information concerning the plan to be voted on, plus an explanation detailing how such a proposed plan would affect the existing retirement plan, be mandatory in the notification of any such referendum.

3. The definition of coverage group for purposes of determining eligibility to take part in such a referendum might best be left to the determination of the individual States by legislative action, but in any event, the concept of such "coverage group" should be limited to the members of a given retirement system such as the Connecticut teachers' retirement system.

CONNECTICUT EDUCATION ASSOCIATION

Hartford, Conn.

To: All State Education Associations

Re Teacher Retirement and Federal Social Security

The Connecticut Education Association, concerned with the proposals now before Congress to amend section 218 (d) of the Social Security Act [1] has polled all State education associations concerning their attitude on the issues involved.

40 States presently maintain teacher retirement provisions without reference to OASI, and 38 of these States have replied to our inquiry.

The professional education associations in 30 of these States, employing more than 786,000 teachers, indicate opposition to any integration of their State teacher retirement provisions with OASI.

Two States, Arizona and New Jersey, with a total of 38,925 teachers, favor integration with OASI. However, New Jersey indicates support for the general concepts embodied in H. R. 7199 calling for a referendum prior to any such integration.

Six States, Massachusetts, Michigan, Missouri, South Carolina, Texas, and West Virginia, with some 190,467 teachers report no position or "watchful waiting."

Thus, from the 40 States where teacher retirement provisions are apart from OASI coverage, associations representing approximately:

786,003 or 74.4 percent of the teachers are against integration.

38,925 or 3.8 percent of the teachers favor integration.[2]

190,467 or 18.8 percent of the teachers are "watchfully waiting."

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[1] See NEA Research Special Bulletin No. 92, Jan. 20, 1954; re H. R. 6812, H. R. 6846, H. R. 6883, and H. R. 7199.

[2] New Jersey, however, would not oppose H. R. 7199.

State	A Against integration	B Want to integrate	C Continue to study	E Teachers involved[1]
Alabama	X			26,000
Arizona		X		6,625
Arkansas	X			13,747
California	X			77,000
Colorado	X			11,475
Connecticut	X			13,000
Florida	X			22,087
Georgia	X			28,540
Idaho	X			5,151
Illinois	X			51,942
Indiana	X			27,228
Kansas	X			18,920
Kentucky	X			20,200
Louisiana	X			21,166
Maine	X			6,773
Maryland	X			15,817
Massachusetts			X	26,880
Michigan			X	44,000
Minnesota	X			22,870
Missouri			X	25,887
Montana	X			5,401
Nebraska	X			12,380
Nevada	(2)			1,598
New Hampshire	X			3,275
New Jersey		[3] X		32,300
New Mexico	(2)			6,584
New York	X			92,000
North Carolina	X			32,857
North Dakota	X			7,110
Ohio	X			52,649
Oklahoma	X			18,485
Pennsylvania	X			66,428
Rhode Island	X			4,135
South Carolina	X		X	18,075
Tennessee	X			24,298
Texas			X	57,878
Vermont	X			2,600
Washington	X			18,829
West Virginia			X	18,250
Wisconsin	X			24,645
Total	786,063	38,925	190,467	1,015,455

[1] From Advanced Estimates of Public Elementary and Secondary Schools for School Year 1953-54, NEA November 1953.
[2] No reply.
[3] Supports H. R. 7199, however.

Senator MARTIN. I want to get what all of you have because it will be given just the same consideration as if you would read the statement.

The committee clerk, Mrs. Springer, suggests—and it is a very good suggestion— our expert, Mr. Fauri, is over here and if you desire to talk further with him it will be perfectly agreeable to do so, and any statement you might make will go in the record.

We want to get the various viewpoints and I am terribly sorry we must stop. We thought we would go on to 12 o'clock but this tax bill is of great importance to the people of the United States and it ought to be properly discussed so they decided last night to have us start the session at 11 o'clock today, which will continue sometime during the late evening.

STATEMENT OF ERNEST PEFFER, NEW JERSEY TEACHERS ASSOCIATION, TRENTON, N. J.

Mr. PEFFER. I am from the New Jersey State Education Association. Our difference is simply this: We support the proposal as the committee has written it. We like the two-thirds idea, or the majority of the eligible voters and then two-thirds of that for approval.

Senator MARTIN. Now, you approve of the factor that 50 percent take part in the referendum and then two-thirds of those voting in approval.

Mr. PEFFER. That is right. We want the committee to continue that provision because we think that is a better voting procedure and it would make it more possible for integration to occur. Any other procedure such as has been suggested and advocated, makes it mathematically impossible to achieve the number that they require.

Then, we have two other suggestions here, which are minor. In this question of coverage groups, the bill as now drawn speaks about two groups. The individual group or the individual subdivision, and then the all-State group. We feel that that might hamper us a little bit and we would like to have the phrase added "or any combination thereof," so a State can meet any problem which might arise through that peculiar designation.

Then, we have another suggestion that on the ballot which would be prepared for the voting, that the ballot itself not simply be a choice of whether or not the voter shall accept social security coverage or integration, but rather that the whole plan be set forth so that the voter can see what the benefits are. We feel if we just prepare a ballot with the question, "favorable or unfavorable to integration," under it, with the social security, that without the benefit being stated there, plainly, that it might tend to create an opposition to social security and not be a fair test of the merits of the proposal.

Senator MARTIN. Thank you very much, and you may leave your entire statement with the reporter to be incorporated as a part of our record.

(The prepared statement of Mr. Peffer follows:)

STATEMENT OF ERNEST PEFFER, NEW JERSEY EDUCATION ASSOCIATION, TRENTON, N. J., ON H. R. 9366

The New Jersey Education Association, representing more than 30,000 New Jersey public school teachers, respectfully urges the Senate Finance Committee to retain in H. R. 9366 the present provisions of that bill concerning the voting requirements by which employees covered by State or local retirement systems may come under social security.

We like the present requirement that a majority of the eligible members must vote in a referendum and that at least two-thirds of those voting must be favorable. Since a majority of the eligible members must vote in a referendum, we are assured that a small group of members cannot impose their will upon the entire membership. Unless two-thirds of those actually voting desire the integration of their retirement system with social security, the integration may well lack the wholehearted support of those whom it directly affects. We are opposed to the proposal made by some groups that the favorable vote be by two-thirds of those eligible to vote, and we believe that it would be an almost insurmountable barrier to any integration of any kind at any time.

The grave concern of New Jersey teachers with this provision lies in the fact that proposals for integrating the New Jersey teachers' pension and annuity fund with social security are now under consideration in our State. It is expected that the proposals will prove very advantageous to both the State government and to the teacher members of the retirement system. The teachers have expressed by formal action in our association their desire that the proposed changes in the social security law make this integration possible through the referendum provision.

In very few American elections do two-thirds of those eligible vote at all. It is contrary to the whole American democratic principle that a nonvoter be counted as a negative vote—as would be true under any requirement of favorable action by two-thirds of all eligible members. The claim has been made by those desiring to place all possible obstacles to integration in this bill, that if a large proportion of the eligible voters want a change they will go to the ballot box to get it. Those who want the status quo to continue are less likely to vote. No factual data to

support this theory has been advanced. The proposed integration plan in New Jersey is a complicated revision of the basic benefit and contribution rate structure of the teachers' pension and annuity fund which includes social security coverage as one of the new provisions. The technical knowledge needed to thoroughly understand our present retirement system and the proposed integration plan cannot be attained by all of our 30,000 teachers. Realizing this, many of our members may decide not to vote in the referendum. We do not believe these nonvoters should be counted as negative votes.

In their testimony before the House Ways and Means Committee, the groups who wish to further restrict the referendum provision clearly indicated their conviction that social security is not desirable and that they consider social-security extension to public employees as generally detrimental. It would appear that these groups are not seeking safeguards but are really seeking legal obstacles to any integration between existing retirement systems and social security—even though more than two-thirds of a given group desire such integration.

New Jersey teachers may in the near future desire integration of their retirement system with social security. We believe these teachers should have the right to decide this issue by a referendum whose voting provisions follow American democratic principles. We ask, therefore, that the present provisions of H. R. 9366 in this respect be retained and that they are not amended in any way.

In summary of the above statement, we wish to make some additional comments reflecting the judgment of the New Jersey Teachers Association as indicated by their delegate assembly's approval of the plan to integrate social security with their present teachers pension and annuity fund.

We endorse these ideas:

1. Retention of the present referendum plan of H. R. 9366—a secret written referendum among the members of a retirement system.

2. Retain the "majority" voting provisions of H. R. 9366—it is the American way of counting votes. Any other provision would make integration difficult if not impossible.

3. In addition, give the States more "elbow room" in dealing with "coverage groups"—two groups are recognized—employees of individual political subdivisions and all employees. We support the idea that it would be safer to add the phrase "or any combination thereof."

4. Safeguard the choice that will be made on a ballot by requiring that a specific plan in which the effect of social security on the existing retirement system and its benefits will be clearly set forth. We do not favor a ballot on the sole question of the acceptance of social-security coverage. We believe this would be unfair to the social-security system and might slant the vote toward an opposition to integration with an existing pension fund.

The New Jersey Teachers Association is vitally interested in the integration of their present pension fund with social security. We are preparing legislation to accomplish that integration to the advantage of the members of the pension fund and to the taxpayers of the State. We want a plan of balloting normal to the American way—the majority vote. We ask that the committee retain that part of H. R. 9366 unchanged and respectfully suggest their consideration of these additional suggestions.

STATEMENT OF KERMIT M. STOVER, SUPERVISING PRINCIPAL, CENTRAL DAUPHIN JOINT SCHOOL SYSTEM, HARRISBURG, PA.

Mr. STOVER. I am from Pennsylvania State Education Association and I would like to make a few remarks in favor of our statement.

Senator MARTIN. All right.

Mr. STOVER. First of all we are in favor of our system. Each member has an equity in the system. We favor a two-thirds vote of the membership rather than two-thirds of a majority.

Senator MARTIN. Your idea would be to require in the referendum that at least two-thirds of your entire membership vote?

Mr. STOVER. At least two-thirds would vote in favor of it. Otherwise, a minority—in other words, two-thirds of 51 percent could cause any changes. Second, we are in agreement with the New Jersey

Education Association that an explanation of the plan should be included in the voting, which I think is a policy in connection with referendums in States where referendums are placed on the ballot.

Thirdly, we are concerned in regard to the entire membership voting as a unit, rather than by individual school districts.

Senator MARTIN. I am not quite sure I heard that.

Mr. STOVER. We have some 2,000 school districts, each of them contributing wholly to the system and we feel that as the bill is now written it would give the option to each of these school districts to vote, whether or not they wished social security, and could set up a multiplicity of administrative systems throughout the State and it would break down our retirement system. We are quite concerned about the language there, and we would urge that the provision of House bill 9366, Union Calendar 627, page 15, lines 12 to 27, include such statement that "any retirement system which is currently in operation that integrates in a State system the employees of all its political subdivisions shall be so considered as a unit for referendum purposes or for any integration or coordination with social security."

We will appreciate your favorable consideration.

Senator MARTIN. Thank you very much, Mr. Stover, and you may leave your complete statement with the reporter and it will be incorporated in the minutes.

(The prepared statement of Mr. Stover follows:)

PENNSYLVANIA STATE EDUCATION ASSOCIATION,
Harrisburg, Pa., June 29, 1954.

MEMBERS OF THE SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

GENTLEMEN: I am Kermit M. Stover, supervising principal of the Central Dauphin joint school system, Harrisburg, Pa., and chairman of the legislative committee of the Pennsylvania State Education Association, Harrisburg, Pa.

I present this statement because of the concern of the members of our association which total approximately 57,000 of the public-school employees of the Commonwealth and who are members of the Pennsylvania Public School Employees' Retirement System.

Our school employees' retirement system has been in operation since 1919. It is an actuarial reserve system. As of June 30, 1953, the fund totaled $433,298,-978.92. Of this amount, $431,271,669.40 were invested in United States Treasury and savings bonds; school district, city, township, county, and State bonds; Commonwealth of Pennsylvania bonds; and $2,027,309.52 in cash in the banks.

I cite these figures as evidence of the sound financial basis on which the Pennsylvania public school employees' system has been built and operates and the resulting confidence which our members have in it.

Our position with reference to H. R. 9366 is not opposition to broadening coverage under social security, nor to the inclusion of those groups that are without coverage.

We are, however, greatly concerned that in the process of legislating by the Federal Congress there be retained by guaranties written into the law the full rights of the members of retirement systems such as ours to make the decision on the extent, if any, that they may or may not wish to come under the provisions of social security.

The provisions of our State public school employees' retirement system are patterned to meet a particular type of public employees. The system came into existence after years of legislative effort on the part of the teachers of Pennsylvania. By elected membership on the Pennsylvania Public School Employees' Retirement Board our members share in administrative, management, and investment policies.

The financial contribution by teacher members constitutes a substantial part of the invested funds. By appropriate amendments since the establishment of the system benefits have been extended and increased.

In recognition of these facts I request on behalf of our members that the Senate Finance Committee be equally concerned in considering H. R. 9366 to provide

guaranties by which the members of this system may retain their present retirement equities and benefits as it is to extend social security to those groups not covered or which have lesser benefits.

One method by which this can be guaranteed is to adopt in principle and by statement in the law a provision that coordination or substitution of social security for our present system cannot be culminated by a minority vote of the members of our system. The present provision in the bill which permits integration or substitution by a two-thirds vote, a majority voting, does not provide this guaranty.

I request, therefore, on behalf of our members that the members of the Senate Finance Committee not only require a referendum, but that any modification or coordination be only by affirmative vote of two-thirds of the entire membership of the system. Otherwise there is a possibility that the retirement rights of all members in a system might be swept away by the vote of a minority group. We trust that the committee will look with favor upon this recommendation for inclusion in H. R. 9366.

A second safeguard that we urge you to include in the bill concerns intelligent voting. We feel strongly that in any referendum those voting shall know in advance the effect that proposed OASI coverage will have on their retirement benefits.

Accordingly, we request that on any ballot for a referendum there should be a clear statement of the purposes and the plan which is now accepted and current practice in referendums on State constitutions and statutory provisions on public issues.

A third safeguard and a very important one so far as Pennsylvania is concerned has to do with the continuance of our school employees' retirement system as an integral unit. While the members of the Pennsylvania School Employees' Retirement System are employed by more than 2,000 school districts, the State legislature created a single retirement system in which contributions are made by the State as a governmental agency, the local school districts as governmental agencies, and by the individual members themselves.

Its administration also combines on the public school employees' retirement board representatives of the State government, of the school districts, and of the employees themselves.

Thus we have a unified administration of a unified system which serves all of the public school employees in approximately 2,000 governmental units. It would be most unfortunate if in any coordination or integration it would be possible by voting to permit acceptance by certain governmental segments and nonacceptance by others.

The effect of such a possibility might result in a complete breakdown and disintegration of our unified State system into a multiplicity of smaller systems difficult of effective administration and without financial efficiency.

We urge, therefore, that the provisions of H. R. 9366, Report No. 1698, Union Calendar No. 627, page 15, lines 12–24, include such statement that any retirement system, which is currently in operation and integrates in a State system the employees of all of its political subdivisions, shall be so considered as a unit for referendum purposes or for any integration or coordination with social security.

In conclusion may I say that I am sure it is the intent of Congress to safeguard the retirement rights for members of well-established retirement systems now in operation. I am sure also that there is no intent on the part of Congress to make possible the breaking apart of well-established State retirement systems into a multiplicity of lesser administrative systems through the mechanics of referendum.

May I request favorable consideration of the proposals which I have presented.

Respectfully submitted.

KERMIT M. STOVER,
Chairman, Legislative Committee,
Pennsylvania State Education Association.

Senator MARTIN. Dr. Sheehan, did you leave your statement?

Mr. SHEEHAN. We would support the National Council of Teachers' Retirement in their provision and we would support what the gentleman from Pennsylvania has said. Our teachers are deeply upset by this suggested revision of a retirement system they have fought hard for since 1917.

Senator MARTIN. Thank you very much.

Miss Borchard, you represent the American Federation of Teachers.

STATEMENT OF SELMA M. BORCHARD, VICE PRESIDENT AMERICAN FEDERATION OF TEACHERS

Miss BORCHARD. As you have heard from our Pennsylvania teachers, we are the classroom teachers. We are the largest entirely voluntary group of classroom teachers.

Senator MARTIN. You probably have the greatest influence over American thought of any group in our country.

Miss BORCHARD. Which think the American teacher should have and should be trained to have.

We are very happy that in the bill as it passed the Senate, as the gentleman from New Jersey has said——

Senator MARTIN. Passed the House, you mean.

Miss BORCHARD. Passed the House. Thank you.

As the gentleman from New Jersey has said, there are many of the essential safeguards. The very declaration of policy of preserving the State system, while it has no bearing at law, it has a moral influence and for that reason we welcome it.

We did not want the limitation on having the majority in there, but we are willing to accept the fact of requiring a majority to vote. We as teachers believe that we should not reward people for not voting and that if people are to say—especially teachers are to say, "Give us some privileges because we won't act as United States citizens," then we are just a little riduculous. We believe it is our job to see to it that teachers set a very good example and go to the polls and vote.

Furthermore, our feeling about writing in on such a ballot the interpretation of what is actually in the printed page, we would not oppose it, but we certainly believe it is unnecessary. If teachers are so illiterate that they cannot read the printed page and need an interpretation, and thereby perhaps delay consideration of an act, we think it is a sorry indictment of the teaching profession, an indictment which is not merited, Senator. We believe teachers are literate.

Now, as to the fear, that is true. There is fear. But we can give you at least 1,000 notices that appeared on bulletin boards in schools throughout the country stating, "Wire your Congressman and Senator to oppose this," in 1951, "because it is destroying your pension system." We believed it would not then, and I have reference here so the conversation with Senator George in relation to Daniel Webster's Dartmouth College case. And incidentally, the administration even now, in relation to a felon says that a contract of pensions once entered into, when vested, must apply, and that any action now would be for the future with relation to any termination, even when there is evil on the part of the person contracting. So that we recognize that teachers have been frightened but we believe unnecessarily so. And so, while the bill as it passed the House has its safeguards in it, has these provisions in it for which we stand, we think the majority vote it unnecessary, but we ask that no further limitations be placed upon it.

We are also expressly asking for the consideration for the proposals made by the American Association of University Professors. Our

own Wayne University chapter has asked for definite help, because they are a separate unit in many instances.

We have the full statement, Senator, and we ask you to remember that——

Senator MARTIN. Thank you very much. Your full statement will be incorporated in the record.

Miss BORCHARD. We do not want further delays for this much needed relief.

We are literate.

(The prepared statement of Miss Borchard follows:)

STATEMENT OF SELMA M. BORCHARD, VICE PRESIDENT AND WASHINGTON REPRESENTATIVE, AMERICAN FEDERATION OF TEACHERS

The American Federation of Teachers is grateful to the leaders in the executive and legislative branches of Government for recognizing the need for extending social-security coverage and increasing the benefits thereunder for many persons. We are as teachers most immediately concerned with the proposal to extend coverage to employees now covered by State or local retirement systems as provided in H. R. 9366. The amendments proposed to section 218 of the present law are just and cautiously extend to teachers and other public employees the opportunity to share in Federal protection while continuing to benefit from the State or local systems to which they are properly looking for old-age benefits.

Our teachers have hopes and fears as they consider this legislation. We hope for greater and more secure benefits. We fear the loss of even the small benefits now assured us under State or local law.

At present every State extends some sort of pension coverage to its teachers, but all States do not afford adequate or even secured coverage for the teachers.

Teachers remember how, during the 1930's, many teachers' pension systems were wiped out; they had not been founded on a sound financial structure. Even today, teachers, covered by some systems which are not completely secure, do not feel safe in their "pension expectancy." Furthermore, even many of those systems which are actuarilly sound, are woefully inadequate. Some pay pensions are as low as $30 a month. Many others have no survivorship provisions. But we must protect all we now have.

Teachers have paid into their present State and local pension plans for many years. Many of these systems are actuarially sound, though not adequate, and what there is we want to have preserved. Those who have paid into these plans—for over 40 years in thousands of cases—want to increase the benefits to which they now look forward by giving themselves the opportunity to share in the Federal social-security program as well.

It is this double security which we, the classroom teachers, want. The American Federation of Teachers was the first and for a long time the only nationwide teacher organization that urged the provisions which are now carried in this bill, and we are so happy to find other educational organizations now lining up nearer to where we were in 1950. We are grateful to have the bill in this form.

It is a marked step forward in our search for somewhat greater security. H. R. 9366 provides for compacts between the Federal Government and the States under specified conditions. These "conditions" are sound.

First, we are very happy to have a formal declaration of policy from the Congress of the United States, that in enacting these proposals "that the protection afforded employees in positions covered under a retirement system on the date an agreement is made applicable to service performed in such positions, will not be impaired as a result of making the agreement so applicable, or as a result of legislative enactment in anticipation thereof."

We recognize this as a sound declaration of policy. It is an essential declaration, in light of the fear that was instilled in the hearts of thousands of teachers from 1950 on. On the bulletin boards of schools throughout the country there have appeared notices from the school officials: "Wire your Congressman and Senator to oppose the extension of social security to cover teachers, or you will lose your pension fund that you now feel is secure."

It is such a declaration (as is set forth in the bill) that reassures those who were frightened so badly several years ago.

We are happy that necessary and proper safeguards have been written into the bill as a condition to the agreement to be entered into between the Federal Gov-

ernment and each of the several States. The six major safeguards stipulated in reference to the referendum are principles for which we have long urged support. These safeguards, for which we have been on record for 4 years in the organization, and which mean so much to the teachers, are—

(1) That the referendum be held by secret ballot, on the question whether coverage under Federal social security shall be extended to positions now covered by State and local retirement systems.

(2) That all employees affected by the proposal, who are now covered by State or local systems, be given the right to vote in the referendum. We believe that the citizen who does not exercise his right should not, by his failure to perform his duty, be allowed to penalize those who do participate, and the decision should be made by a substantial majority of those who do vote.

(3) That 90 days' notice of the holding of the referendum be given.

(4) That proper supervision for the conduct of the referendum, under proper State authorities, be assured.

(5) That a substantial majority of those voting in the referendum shall vote in favor of the proposal.

(6) That State and local systems may be deemed to be each a separate retirement system, thereby preserving the better system intact within the State.

These are essential safeguards for which the American Federation of Teachers has pleaded for many years. We still plead for them.

I would, gentlemen, at this point, refer to the opposition to this proposal, which we have heard of, set forth in this bill.

First, a question is raised in some quarters as to the propriety of the proposed referendum in its relation to the authority of the State. Our opponents have contended in some cases that the referendum robs the State of its autonomy. Of course, it does not. A State is, under the proposed legislation, required to take positive action in its own right to afford its employees the benefits of the coverage herein proposed.

The conditions for the agreement governing the referendum are far less stringent than are the requirements incident to agreements carried in other Federal-State compacts, which are now law and which the American people would not conceivably surrender.

Second, we would point out that the conditions governing dual coverage by State and Federal authorities for teachers, as set forth in this bill, are forthright, sound, and clear to all concerned. It is an honest approach which merits honest consideration—and approval.

There is, however, a widespread movement, to which reference has been made: To approach the question of Federal-State coverage by indirection and, to some extent, we think, by deception. The plan to which we refer provides that the State would repeal its existing teachers' pension system by State legislative action; the pension funds would be held in escrow or otherwise impounded, as has been done in several of the States, while the State rushes in to the Federal Government and says, "Quick; we have no State teachers' pension law at this moment, so we want to get Federal social-security coverage for our teachers." In this manner, under existing law, the teachers are then covered under Federal social security. And then, lo, the State pension law is restored and dual coverage is secured.

We do not at this point wish to argue the legality of such procedure, from either the point of view of Federal law or of the status under State law of the State teachers' pension law, once repealed. Nor do we wish here to argue the moral implications in such procedure.

We do, however, submit that such procedure is far less safe or sound than the forthright, honest approach which is suggested in the bill we have before us.

Third, it is proposed that "assurance be given that members of State and local retirement systems shall know what they are voting on in the referendum."

The American Federation of Teachers submits that its membership is literate. We, the largest entirely voluntary organization of professional teachers, resent the implied insult to the teaching profession; that they cannot read a statement of issues and vote intelligently thereon. If teachers cannot understand issues set forth on a ballot and must be given an interpretation of the words, then we are in a sorry state. But we submit teachers can read and know what they are reading.

Fourth, it is proposed that we penalize the voter by rewarding the nonvoter. We believe that a substantial majority of those voting should determine the issue. However, we shall accept the provision inserted in the House bill as a compromise that a majority of those eligible shall vote. Gentlemen, would you favor this provision as a basic procedure in all American law? We would not.

Fifth, with complete disregard for the well-being of thousands of citizens, it is here proposed that, unless these crippling amendments can be adopted, no action should be taken now to benefit any teacher. Such an attitude we deplore—especially coming from a teacher group.

Sixth, I would refer to the reference here of the "emphasis of witness in 1951 to the Dartmouth College case." I was that witness in 1951, as the record shows. Then I said a contract once entered into cannot be disregarded by either party to it. I still believe that Daniel Webster who plead that case was far more sound than the harbingers of fear who today ask for further postponement on these benefits. The benefits of a system which have vested cannot be taken from a pensioner. His contract is secure under the principle set forth by Daniel Webster and promulgated by the Supreme Court.

In closing I would submit that all we ask is the right to vote on our own problems—and to let the American principle of majority rule, govern with the additional safeguard of a two-thirds vote of those interested enough to vote.

We are very grateful to those who prepared this bill, in this form; and we urge you, on behalf of the classroom teachers of the United States, to enact this provision which gives to the teachers the right to vote whether they want to have Federal old-age and survivors benefits to supplement their present State and local programs.

Finally, we wish to associate ourselves with the able presentations made here by President Meany of the American Federation of Labor. We would point out, specifically, that the convention of the American Federation of Labor voted unanimously that it could not support any bill, specifically, which did not extend to teachers the right to coverage if they so desire it, under Federal old-age and survivors insurance.

We hope the bill, covering a need so keenly felt by teachers, is adopted by the Congress of the United States.

I would like, Mr. Chairman, with your permission, to submit for the record communications from State and local associations of the organization, without reading them here.

Senator MARTIN. Mr. Tyre Taylor, Southern States Industrial Council.

STATEMENT OF TYRE TAYLOR, GENERAL COUNSEL, SOUTHERN STATES INDUSTRIAL COUNCIL ON SOCIAL SECURITY AND PUBLIC ASSISTANCE

Mr. TAYLOR. Senator, I can come back tomorrow.

Senator MARTIN. We will have another list of witnesses tomorrow.

Mr. TAYLOR. Well, I have a statement, sir, and I would like to read it.

The Southern States Industrial Council is a regional organization with headquarters in Nashville, Tenn. Its members represent all lines of manufacturing, mining, transportation, and banking. These members are distributed over the 16 Southern States from Maryland to Texas.

The council is governed by a board of 5 directors from each State and 10 chosen at large from outside its territory. It seeks to represent and speak for southern industry on those broad, fundamental issues which we believe are basic to the American free-enterprise system.

The last annual board meeting of the council was held at Point Clear, Ala., on May 13 and 14, 1954. At this meeting a delcaration of policy was adopted which includes the following statement on social security and public assistance:

Security is the direct responsibility of the individual and should not be assumed by the State. When the citizen allows the State to undertake any of his responsibilities he condones creeping socialism. Government cannot perform this function for the citizen as econom-

ically and inexpensively as the same function can be performed through free enterprise institutions.

The present system of social security is misleading in that it seemingly provides the basis of assurance that reserves are being set up to meet future contingencies. Actually, these so-called reserve funds are being dissipated by the Federal Government to meet other current Government expenses. However, so long as the social-security program is in effect, the council urges that the tax rates be limited to the amount paid out in benefits each year.

Senator MARTIN. You favor a pay-as-you-go plan?

Mr. TAYLOR. Yes, sir, as long as it is in effect.

Direct relief has become a political football. Its administration is attended by waste, and, in some cases, corruption. The council believes that direct relief is the responsibility of the States and localities and advocates the elimination of the Federal Government from this field.

It is my purpose to summarize briefly some of the reasons which prompted this action.

As you will note from the first sentence of the statement I have just read, the council is opposed to the whole concept of compulsory Federal social security. Without any illusions as to what Congress is actually going to do about this matter, we nevertheless wish to defend this position because we believe it is sound and that time will prove it is sound. Apparently this is in line with the thinking of the distinguished chairman of this committee who stated on August 17, 1948:

"There will be small measure of economic security in a social-security program constructed in ignorance of its total implications, or in disregard of what its promises involve for the future, or in concealment of its burdens as means of escape from the difficulties of sound planning, or proceeding upon lightly accepted assumptions."

What are some of these "total implications" and "lightly accepted assumptions?"

One, I venture to state, is the assumption that future generations will be willing or able to bear the cost of this program.

It is estimated that by 1970 there will be at least 1 person over 65 years of age for every 5 younger persons who are productively employed. Even assuming that the 6.5 percent tax on payrolls which is supposed to go into effect at that time is sufficient to meet the costs of the benefits, it seems to us highly unlikely that the social-security taxpayers of 1970 will be willing to carry any such burden.

But if the experience of other countries and other groups in this country means anything, the rate will have to be much higher.

In France, for example, social security costs 16 percent of payrolls.

In the case of the railroad-retirement system which started out in 1937 with a rate of 5.5 percent, there has been an increase to 12.5 percent.

In the case of the United Mine Worker's anthracite health and welfare fund, the amount of the contribution—which corresponds to the social-security tax—was equivalent to 15 percent of wages, yet it became necessary early this year to cut pension and death benefits in half. People who had retired on $100 a month found themselves trying to live on $50.

The point I make is that each generation of producers must and will decide for itself the amount of the total current production which

is to be devoted to social welfare. The assumptions that future generations will be able and wiling to supply up to $15 billion annually for this purpose seems to us unrealistic.

But that is not the only thing wrong with the present concept and working of social security. The impression is abroad that social security is a great insurance bargain. And I am afraid this impression is entirely correct—for the time being. Most of the persons now on OASI rolls have made no more than token payments for the benefits they are receiving. And in the case of the employee who has paid the maximum tax over the entire period since social security was established in 1937, his return in benefits is many times the amount he and his employer have paid in.

And this, of course, is precisely the thing that gives social security its enormous political appeal—the idea of something for nothing.

The employee thinks that his payments and the payments of his employer go into the Federal Treasury to form a miraculously growing fund which the Government will store and save for him and from which he is entitled, as of right, to draw many times the amount in benefits after he reaches the age of 65. In other words, he thinks of social security as a peculiarly benevolent form of old-age insurance. What are the facts?

In the first place, it is not insurance at all as that term is commonly understood, but a political promise to pay out of future production. There is no contractual obligation between the covered person and the Government. There are no assets back of this promise other than the Government's willingness and ability to tax.

Second, the idea that the Government is storing or saving this money is of course entirely unfounded. Except for the payment of current benefits, the Government spends the money as it comes in for ordinary operating expenses. The so-called trust fund—which in 1953 amounted to more than $18½ billion—is nothing but Government I O U's which can be redeemed only by additional Government taxing or borrowing.

What does this mean? It means—as apparently some socialistically minded persons intended it to mean—that as the social-security program matures and the cost of the benefits exceed the amount paid in in social-security taxes, the Government will have to resort to further general taxation or inflation in order to meet its obligations under the program.

In short, gentlemen, we feel that compulsory Federal social security is doomed to failure; that it is fundamentally socialistic; and that it has and can have no proper place in a capitalistic, free enterprise, individualistic society. However, so long as it is in effect, the council urges that the tax rates be limited to the amount paid out in benefits each year.

I would now like to deal just briefly with the subject of direct relief or public assistance.

As you know, this was started as a temporary program to take care of the aged needy who were not covered by OASI. It was expected that the need for such relief would diminish and finally disappear as the social-security program matured.

As you also know, however, this has not happened and the direct relief program is today a close competitor with OASI. As of August 1953 relief payments were running at an annual rate of $2,492,184,000, as compared with OASI benefits of $2,879,080,000.

The story is a familiar one.

At first, the Federal Government only matched State funds on a 50-50 basis. Then—in response to political pressures—the Federal Government insisted upon paying a larger and larger share of State and local assistance programs.

Due to the liberality of the Federal matching formula and the conditions under which Federal aid is offered, each State is now able to control, within certain limits, the amount of Federal funds it will receive. The State that spends the most gets the most and good administration is penalized. Thus in 1952 the amount of Federal funds spent for old-age assistance in Virginia amounted to only $18 per person aged 65 or over, while in Louisiana the corresponding amount was $230.

We feel that direct relief—or public assistance—is not a proper function for the Federal Government and that it should be returned to the States and localities.

Thank you.

Senator MARTIN. Thank you, Mr. Taylor. The committee is pleased to have the benefit of your views.

Senator MARTIN. Mr. Theodore H. Jenner, president of the California State Employees Association, of Sacramento, Calif., is in the audience today but unfortunately we will be unable to hear him personally, but will be glad to insert his written statement, which will be subsequently submitted, in the record at this point.

We are glad to have your views, Mr. Jenner.

(The prepared statement of Mr. Jenner follows:)

STATEMENT OF THEODORE H. JENNER, PRESIDENT, CALIFORNIA STATE EMPLOYEES' ASSOCIATION, ON H. R. 9366 IN THE SENATE OF THE UNITED STATES

To Hon. Eugene D. Millikin, Chairman, and Members of the Senate Finance Committee:

We respectfully submit two proposed amendments to H. W. 9366, affecting that portion of the bill which would extend coverage under the old-age and survivors insurance program to public employees who are already covered by existing retirement systems, together with reasons in support of such amendments.

1. Proposed amendment to provide an additional quarter of dropout for each quarter of no coverage occurring after age 60

The following amendment to H. R. 9366 is respectfully suggested:

AMENDMENT NO. 1

On page 28, line 4, of the printed bill, after the period, insert:

"In the case of any individual with respect to whom any quarter ending on a date subsequent to his 60th birthday is not a quarter of coverage, the maximum number of calendar years determined under the first or third sentences of this paragraph shall be increased by the number of quarters during which such individual was not in covered employment after attainment of age 60: *Provided, however*, That not more than 20 quarters beginning on or after January 1, 1953, may be excluded in computing his average monthly wage. For the purposes of this paragraph, and subject to the limitations herein contained, the quarter in which an individual attained age 60 may be excluded in computing his average monthly wage, if it was not a quarter of coverage."

Reasons

Nearly all public-employee retirement systems and a large proportion of industrial retirement systems either have a normal retirement age of 60 or allow retirement at that age with a reduced benefit, if the member has a prescribed minimum number of years of service.

Unless the 4 or 5 years of dropout provided by paragraph (4) of subsection (b) of section 215 of the Social Security Act, as set forth on pages 27 and 28 of H. R.

9366, can be used by the person retiring below 65 to drop out the years of no coverage occurring after age 60, the number of years of no coverage occurring between his retirement age and age 65 will reduce his average monthly wage below what it was on the date of his retirement; and all benefits payable with respect to his coverage will therefore be proportionately reduced.

Public employees who come under OASI for the first time after the effective date of H. R. 9366 will not be able to save their 4 or 5 years of dropout in order to freeze their average monthly wage as of the date of their retirement, because they must use such dropout to cover the years between January 1, 1951, and the effective date of the Federal-State agreement bringing them under OASI.

It will be observed that under H. R. 9366, the starting date for computation of average monthly wage and qualification for benefits will remain January 1, 1951, except as to those persons who cannot qualify for benefits without using quarters of coverage prior to that date. Furthermore, under subsection (f) of section 218 of the Social Security Act, as set forth on page 18 of H. R. 9366, there are provided the following limitations on the effective dates of Federal-State agreements made after H. R. 9366 becomes law:

(1) If the agreement or modification is made prior to 1954, the effective date may not be earlier than December 31, 1950;

(2) If the agreement or modification is made after 1954 but prior to 1958, the effective date may not be earlier than December 31, 1954;

(3) If the agreement or modification is made during 1954 or after 1957, the effective date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification is agreed to by the Secretary of Health, Education, and Welfare.

Like the California Legislature, most State legislatures will not meet before 1955; and even though they enacted urgency legislation after that date to authorize a State official, on behalf of the State, to execute a coverage agreement, the referendum required under H. R. 9366 would have to be held, and 90 days' notice of such referendum would have to be given.

Assuming that the necessary State legislation were adopted, the referendum held, and the necessary approval of the employees to be covered were secured, it would then be well into the year 1955—at least July, August, or September—before the agreement could be executed.

For the reasons stated above, it would appear that if the employees of the State of California vote in favor of OASI coverage, it would not be feasible to attempt to provide an effective date for their coverage earlier than January 1, 1956. This is probably also true of most other governmental jurisdictions whose employees are not already under OASI.

If public employees are brought under OASI as of January 1, 1956, they will have to use the years of dropout provided by paragraph (4) of subsection (b) of section 215 of the act to drop out the years 1951, 1952, 1953, 1954, and 1955. This leaves them no dropout to use for the purpose of freezing their average monthly wage, if they retire below age 65.

Because of the foregoing considerations, public-employee groups have urged both the Ways and Means Committee of the House of Representatives and your honorable committee to adopt a new-start date, in lieu of January 1, 1951, for public employees whose coverage begins subsequent to that date; such newstart date to be not earlier than the first day of the calendar year in which such public employees are first brought under OASI coverage.

There appear to be many convincing reasons why it is not feasible to establish by law a different starting date for public employees than that applicable to other groups already covered by OASI. The difficulties of administration under such a provision would be considerable; particularly because all public employees do not remain in that category; and many persons, at age 65, will have quarters of coverage in both public and private employment.

The amendment submitted above has the effect of providing a freeze of average monthly wage as of age 60 for any person under OASI who retires below 65; and it would therefore satisfy the greatest need which persons retiring below 65 would have for the 4- or 5-year dropout; it being borne in mind that if they come under OASI after H. R. 9366 becomes law, they will have to use their 4- or 5-year dropout to drop out the years 1951–55, inclusive.

The proposed amendment does not afford public employees as great a benefit as a new-start date would provide; but it is our firm conviction that most public-employee groups would regard it as an acceptable compromise which would go far toward overcoming the present discrimination in the bill—i. e., the availability

of a 4- or 5-year dropout to those already covered by OASI which they can use for any 4 or 5 years prior to age 65, but the lack of availability of such a dropout to public-employee and other groups coming under OASI for the first time after H. R. 9366 becomes law, because they must use it up to drop out the 5 years already elapsed before the effective date of their coverage starts.

2. Proposed amendment to allow the States greater discretion in determining the composition of coverage groups, and to define political subdivision for the purposes of section 218 (d)

The following amendment to H. R. 9366 is respectfully suggested:

AMENDMENT NO. 2

On page 16 of the printed bill, strike out lines 5 to 9 inclusive, and insert: "subsection, there shall, if the State so provides by law, be deemed to be a separate retirement system with respect to any political subdivision or any combination of such political subdivisions; and where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or any combination of the State and any one or more political subdivisions. For the purposes of this section, any county, city, town, village, district organized pursuant to State or local statute or ordinance, or any other local governmental unit, shall be deemed to be a political subdivision."

Paragraph (6) of subsection (d) of section 218 of the Social Security Act, as set forth on pages 15 and 16 of H. R. 9366, would restrict the States to 1 of only 2 alternatives, in determining the composition of coverage groups; viz, either:

(1) All members of the existing retirement system, including all State, county, city, or district employees in that system, must be one coverage group; or

(2) All State employees may be one coverage group, in which case the employees of each political subdivision must be a separate coverage group.

The extremely limited choice afforded to the States by the foregoing provision will result in considerable difficulties of administration; will cause unnecessary delays in holding referendums, and will result in unnecessary expense as a result of holding referendums and executing contracts of coverage for a tremendous number of small local governmental agencies, particularly school districts.

As an example of the need for allowing the States greater latitude in defining the composition of coverage groups, the situation in California is probably typical. The California State Employees' Retirement System includes all State employees, civil service, and exempt (except constitutional officers and persons appointed directly by the Governor, who, however, may become members at their discretion), who have worked for 6 consecutive months. The system includes all nonacademic employees of the University of California (but the academic personnel of the university are members of a separate retirement system established by the regents of the university). The system also includes, by contract, employees of various counties, cities, and districts in California.

As of June 1, 1954, the State Employees' Retirement System had 133,400 members, of which 61,700 were State employees, and 71,700, contracting agency members.

On July 1, 1954, the State Employees' Retirement System covered the employees of 100 incorporated cities, 21 counties, 36 districts other than school districts, and nearly 2,000 school districts.

There are approximately 2,000 school districts in California. Of these, 110 have individual contracts with the system covering their nonacademic employees. Subsequent to the execution of these contracts, the law was amended to provide that the nonacademic employees of every school district in California, except those already covered by contract and those already covered by a district retirement system (the latter exceptions are principally in the county of Los Angeles and the city and county of San Francisco), shall be members of the State employees' retirement system, subject to every provision of the retirement law applicable to State miscellaneous members. The schoolteachers in California are covered by the State teachers' retirement system, and in some cases (principally in Los Angeles and San Francisco) by other separate systems to which the State makes contributions.

If H. R. 9366 is adopted in its present form, and if the State provides that the State employees shall constitute a separate coverage group, a referendum would have to be held among the nonacademic employees of each school district in California, if they are members of the State system; even though in many cases,

there are only 3 or 4 employees of the school district who would be eligible to be covered.

From the foregoing case of California, which probably typifies most, if not all other States having an existing retirement system, it will be seen how imperative it is that the States be given greater latitude in defining the composition of coverage groups.

DEFINITION OF POLITICAL SUBDIVISION

It will be noted that the proposed amendment No. 2, submitted above, contains a definition of "political subdivision" for the purposes of section 218 (d) of the act.

Undoubtedly the drafters of H. R. 9366 intended, by the use of the term "political subdivision," to mean any agency of local government, including counties, cities, towns, districts, etc.

Unfortunately, the term "political subdivision" is not a well-established and universally employed term of whose meaning, in the sense intended, the courts will take judicial notice.

To illustrate the ambiguity of this term, as used in H. R. 9366, the following California cases may be cited:

(1) A county is a political subdivision of the State (*County of San Mateo* v. *Corburn*, 130 Cal. 631).

(2) A city is not a political subdivision of the State (*Otis* v. *City of Los Angeles*, 52 Cal. App. 2d 605).

(3) Some districts are political subdivisions of the State (*Gould* v. *Richmond School District*, 58 Cal. App. 2d 497; *E. B. M. U. D.* v. *R. R. Comm.*, 194 Cal. 603).

(4) Other districts are not political subdivisions of the State or of a county (*Wood* v. *Imperial Irr. Distr.*, 216 Cal. 748).

Similar cases can undoubtedly be cited from the court decisions of most other States.

In view of the foregoing decisions relating to the meaning of the term "political subdivision," it would appear advisable to define this term for the purposes of section 218 (d), and thus avoid confusion among the States at the time they provide by law for the composition of the various coverage groups within their existing retirement systems.

* * * * * * *

The following persons, as presidents of their respective associations representing in excess of 200,000 public employees in California, have authorized me to state that their organizations approve and support the proposed amendments which I have submitted to your honorable committee, and the reasons advanced in support thereof: William T. Cobb, president, California Association of Public Employee Retirement Groups; Hubert W. Bryant, president, League of County Employees' Associations of California; P. George Beavis, president, League of City Employees' Associations of California; Fred O'Brien, president, California School Employees' Association.

On behalf of the California State Employees' Association and of the other California public-employees' associations set forth above, I wish to express to you, Mr. Chairman, and to the members of the Senate Finance Committee, our appreciation for your courtesy and consideration in permitting this statement to be made on behalf of the public employees for whom I have the honor and privilege to speak.

Respectfully submitted.

THEODORE H. JENNER,
President, California State Employees' Association.

WASHINGTON, D. C., *June 29, 1954.*

Senator MARTIN. I appreciate the cooperation of the witnesses.

The hearing is now adjourned.

(Whereupon, at 11:30 a. m. the committee recessed to reconvene at 10 a. m., Wednesday, June 30, 1954.)

SOCIAL SECURITY AMENDMENTS OF 1954

WEDNESDAY, JUNE 30, 1954

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

The committee met, pursuant to adjournment, in Room 312, Senate Office Building, at 10 a. m., Senator Wallace F. Bennett, presiding.

Present: Senators Bennett and George.

Senator BENNETT (presiding). Gentlemen, the Senate goes into session at 11 today on a controlled-time agreement. I hope your statements are such that we can be through with the two of them by 11 o'clock.

STATEMENT OF JOSEPH CHILDS, MEMBER, CIO SOCIAL SECURITY COMMITTEE, AND VICE PRESIDENT OF THE UNITED RUBBER, CORK, LINOLEUM, AND PLASTIC WORKERS OF AMERICA, CIO

Mr. CHILDS. My name is Joseph W. Childs. I am a member of the CIO social security committee and the vice president of the United Rubber, Cork, Linoleum, and Plastic Workers of America, CIO.

Your committee and the Senate have a most important decision to make on the social-insurance programs of the United States.

Is the Nation to go forward, strengthening and expanding the protection afforded by old-age and survivors insurance, or are we going to let certain selfish interests block essential improvements?

The past 2 years have seen a determined campaign by the United States Chamber of Commerce and its State branches to undermine the established system of old-age and survivors insurance. That plan was characterized by Dean J. Douglas Brown of Princeton University as clever, dishonest, and dangerous. It is intended to hold down benefits, to prevent expansion into the field of disability, and to shift the cost of caring for the present aged onto the contributions made into the OASI trust fund. Yet it would offer only $30 a month to the very people whose needs are used as a smokescreen to promote the plan.

The Chamber of Commerce proposals have so far been defeated by the combined resistance of experts such as Dean Brown and the great majority of the people of the United States. Fortunately, the Eisenhower administration became convinced that it should stick by the established system and improve it rather than yield to the attacks of certain business groups.

While the United States Chamber of Commerce found some supporters in the House Ways and Means Committee, the majority reported out a bill which contains substantial improvements. The

adoption of this bill, H. R. 9366, by an overwhelming majority of the House, is a great victory for the sound principles of social insurance built into the existing system.

But the United States Chamber of Commerce and its allies have not ceased their efforts. You have probably received many letters on business stationery, neatly typed by a secretary, protesting against certain features of the bill.

We hope you will weigh such letters against a different type, written by hand on cheap paper, from the people for whom the program is designed—the aged, the crippled, the mothers with young children asking how they can live on a few dollars a week.

We think it should not be difficult for your committee to make its decision in view of the overwhelming weight of evidence and sentiment on the side of progress. The people need an improved program.

The Nation can afford it and will gain from it. The very same business groups that now oppose it have always been slow to accept new ideas. They fought social security in 1935, and predicted it would bring disaster.

As for the doctors and the insurance companies who oppose important parts of the House bill, we urge that you resist their special pleadings which arise out of a narrow and misguided self-interest.

Private insurance is good, but no one has a right to block measures essential to the general welfare because he wants to make money from a competing activity. Social insurance has certain profound advantages over private insurance, although the two can well grow together, as they have done in the past. Social insurance is less expensive with relatively low operating costs. It is deliberately designed to make each dollar paid in by low-income people give relatively more protection. Thus, people with low incomes are aided who otherwise would fall by the wayside.

When properly expanded, social insurance covers all occupations in all parts of the country. People can change their jobs or their place of residence without losing their rights to protection. Any shrinking of the dollar due to inflation can be offset by legislative improvements. These and other advantages of social insurance are so great that the private companies are highly selfish in blocking its expansion.

We urge you to follow the lead of the House in continuing to support the basic principles of the existing program in spite of the attacks that have been made upon it.

We likewise urge that you go beyond what the House has done by making coverage broader, by enacting more generous benefit provisions, and by adding a national program of insurance against both long-term and temporary disability.

The amendments in the House bill are good, but they would still give many old people and survivors miserably low benefits. They would not provide the levels of living which the Nation's vast productive capacity makes possible. They would still leave a tragic gap by omitting to provide cash payments to disabled persons.

We urge that you follow the program presented in the Lehman bill, S. 2260, which would come far closer to providing a program geared to the needs and resources of the United States.

The Lehman bill would provide higher benefits by a whole series of changes. It would make the minimum payment $35, which is

surely not too high. It would pay one-half percent additional for each year of coverage, and would lower the age for women to 60.

It would base benefits on the 10 best years of earnings. Thus, periods of low income, due to unemployment, short hours, or illness, would be omitted. This is in accord with many established patterns, and would result in higher benefits for many workers. We in the CIO would prefer narrowing the time period for calculating the average monthly wage still further since so many wage earners suffer wage loss from irregular work opportunities.

The Lehman bill would raise the ceiling on the annual earnings counted toward contributions and benefits. It would make the amount $6,000 instead of $4,200 as in the House bill, or $3,600 as in the present law. The $6,000 wage base ceiling would result in more nearly adequate pensions for persons fortunate enough to earn more than $3,600 or $4,200 in any one year.

The insurance companies and the United States Chamber of Commerce have attacked such proposed increases in the wage-base ceiling as being too expensive and raising benefits too high. They want to hold down the program to what they call a basic minimum, but what in fact means substandard levels.

What do they really object to? Surely, not to the idea of adequate pensions as such, since these very spokesmen for big corporations are assured very generous pensions themselves, often 10 or 20 times the $200 a month ceiling in the House bill or the Lehman bill.

Are they afraid of the total cost to the economy which would result? Surely the United States can afford a decent program. Our economy must keep expanding if we are to turn out enough goods to compete with communism throughout the world. With growing employment levels, rising income, and plenty of jobs, the cost of the program will be definitely less than the estimates made by the accountants of the administration.

In weighing the costs of any social welfare program, you must also estimate the savings that result from it. The Nation loses huge sums today because of our failure to provide adequate payments to the aged and the orphans. Their relatives and the relief agencies bear part of the cost. So do the budgets for the control of crime and the care of mental disease. But vast sums are likewise lost to the Nation through lowered morale and decreased capacity of young and old people to lead constructive lives, happy in their own activities and contributing as fully as they can to the general welfare.

If a new world war develops, every man and woman will be needed to man the guns and the machines, and the United States will pay a heavy price for past neglect reflected in crippled lives.

Even the United States Chamber of Commerce now agrees that old-age and survivors insurance is useful as a built-in stabilizer against serious depression because it continues "to circulate money regardless of economic conditions."

In arguing for higher social-insurance benefits, we are not forgetting the remarkable success our unions have achieved in securing collective-bargaining clauses providing pension rights. We are continuing to improve such clauses. But we believe all workers should have adequate protection no matter where they work or whether they change jobs or are laid off.

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Few private plans pay survivors' benefits, which are now such an important feature of the Federal program. Our members know only too well that present levels of insurance protection are not adequate. Like other Americans, they attempt to save money for emergencies or retirement. One objective of our unions in trying to raise wages is to obtain a saving income, not just a living income. But it is very difficult for many wage earners to set much money aside for a rainy day. Wages are still too low in many occupations, especially for persons with children. A period of unemployment, like the present one, swallows up savings, and may lead to forfeiture of private life insurance policies. Private pension rights are often lost along with jobs.

Illness and heavy medical bills are a constant threat to savings in the absence of adequate programs of health insurance. Rising prices have eaten away the value of bank accounts, Government bonds, and insurance policies.

The majority of the aged or survivors thus find that Government benefits are the mainstay of their budgets. Many of our own former members fortunately are receiving pensions secured through collective bargaining. But even a very modest minimum budget for an elderly couple now costs about $200 a month. This is the maximum permitted by either the House bill or the Lehman bill.

We frankly do not think it is high enough, for it provides only a meager level of living. The husband, for example, can buy only 2 shirts a year, plus 1 more each third year.

But relatively few industrial workers could hope for pensions of more than three-fourths this amount under the House bill. They would have to earn an average of over $300 a month to get even this amount.

And the more fortunate, with average earnings of $350 or more, could not receive more than $163 a month, or $37 less than the budget allows.

In 1950, the House supported long-term disability insurance, but the Senate rejected it. We ask you now to take the lead in establishing this much-needed program, as provided in the Lehman bill.

It is not enough merely to freeze the pension rights of disabled persons, as suggested by the Eisenhower administration and the House Ways and Means Committee. What is a man of 30 to do if he is disabled and has dependents? He must wait 35 years for a pension, yet his needs are great.

He will have to turn to charity unless benefits are paid as a matter of right.

The program of public assistance for the permanently and totally disabled is better than nothing, but it carries the means test with it and payments are pitifully low in many cases.

Each year that you fail to act adds many thousands of workers to the group who need disability benefits but cannot receive them. Each year has brought additional evidence that it is possible to have effective administration of disability insurance programs.

Congress has already provided such benefits for railroad workers, veterans, and most Federal employees. Ample experience under these programs is available for your examination to prove that a general program would be practical.

CIO unions have in many cases included disability benefits under their pension plans. Much good has resulted, with little significant

difficulty in administration. Combined with an extensive program for rehabilitation of the disabled, cash payments to them will speed their return to productive employment and will aid their families to rise above the hardship which fate has thrown in their path.

Think of the tremendous constructive benefits which long term disability insurance would bring to the American people. The gains would far outweigh the costs, in dollar values as well as in human welfare.

The private insurance companies are not filling the gap, and only a small percentage of cases of severe disablement can qualify for workmen's compensation. Unfortunately, even those who do obtain workmen's compensation have too little protection under present State laws.

The CIO has, from the start, believed that insurance programs should be extended to virtually all the gainfully employed. We welcome the coverage extensions in the House bill. But why not do what the consultants on social security unanimously recommended to Mrs. Hobby? Their recommendations were developed after considerable thought and discussion, and were accepted by President Eisenhower and recommended to the Congress for enactment.

We urge that you include two important groups which were dropped by the House, namely doctors and migratory farmworkers. Both the excluded groups are substantial and deserve to have social insurance protection for themselves and their families. In each case basic principle goes beyond the immediate problem.

If you agree with the House rather than the President, you will be cutting off many men, women, and children whose labor is essential to farm production and who most need protection. Some farm laborers are relatively well off, and some work steadily through the year for one employer.

But many seasonal jobs last for only a few weeks with any one farmer and yield meager incomes.

Streams of workers follow a pattern of migration northward, from Texas or Florida, following the harvest. Under the House bill, they will not be covered, for they do not earn $200 a year from one employer. Many would not even be covered by the $50-a-quarter provision in the administration proposal. But at least more of them would be covered. This arrangement was unanimously supported by the consultants to Mrs. Hobby, who further indicated that they thought that, in principle, even the $50 test should be eliminated. But the majority favored keeping it for the present to simplify administration.

The bill you are considering is generous to the farmers and has special arrangements to make it easier for them to come under the program.

Many older farmers will be able to qualify for full pension rights without making substantial payments over a period of time. We believe this is proper, because they have contributed to the welfare of the Nation for many years.

But if these arrangements are made for the farmers, and if they are to have the benefits of the program, we believe it is only right that most farmworkers should also be covered.

Many of the migrants to whom we refer are not actually employed by family farmers. They serve large-scale and absentee landowners whose incomes are large but whose workers live miserably. These very same large-scale operators say they cannot obtain enough United States workers, and have succeeded in obtaining an expensive program, supported by the taxpayers, for bringing in workers from Mexico to plant and harvest their crops.

Organized labor knows from long experience that if you offer people proper conditions, you can obtain more workers. We believe it is better to pay decent wages and to extend the protection of social insurance to farm jobs than to rely increasingly on a labor supply from other countries.

We believe that all people are entitled to decent conditions as a matter of human right, and that the entire Nation suffers from their substandard conditions. Not many of these migrant workers belong to the CIO since they have great difficulty in organizing. But though our members on the whole are more fortunate, we feel we have an obligation to speak strongly before your committee on behalf of these workers who have so few opportunities to make their own needs felt either in dealing with employers or in legislative sessions.

Both the Treasury Department and the Department of Health, Education, and Welfare have indicated that they can administer benefits for migrant workers. The advice of these agencies was considered when the consultants unanimously recommended lowering the cash wage test to $50 a quarter from one employer.

We have seen no evidence indicating that a special exception should be made for members of the medical profession as contrasted with lawyers or other self-employed professional persons.

Doctors with low or moderate incomes need both survivors insurance and pensions, and would benefit from coverage as other groups do. The very high paid leaders of the professions may be able to purchase private insurance sufficient for their own purposes, but surely it would not harm them to pay contributions into the trust fund on behalf of themselves and doctors in their employ.

Like other high-income persons, they have an obligation to help support the system required for the good of the great majority.

When spokesmen for the American Medical Association appeared before the House Ways and Means Committee opposing coverage, one Congressman asked the official spokesman if they could describe the survivors benefits to which doctors would become entitled if covered. The spokesman did not know what these benefits would be.

We have great respect for the medical knowledge of the doctors of this country, but repeated unfortunate experiences make us question their social information and understanding. Their leaders have given them the idea that social insurance is bad, especially if it can in any way be linked with disability or health.

It would be highly educational for the doctors to discover that social insurance is actually a good thing.

In advocating universal coverage, we are not supporting blanketing in all persons aged 65 or over. We believe that these persons, whether or not they have been in covered employment, should be taken care of in an appropirate manner, but the costs should be borne by general revenues, not by the OASI trust fund or the contributions thereto.

We favor more liberal Federal grants for public assistance to meet the needs of these people and others. If all are to receive a flat monthly amount, it should be reasonably large. $25 or $30 monthly would be far less than the average paid to public assistance recipients.

If you are not taking other steps to improve public assistance, you should at least extend present levels of Federal grants. The House proposes continuing them through September of next year. We prefer a longer period, so the States may plan ahead. However, we hope that extensive improvements can be enacted in the near future so that more adequate payments are made, without present undue restrictions.

Senator BENNETT. Thank you, Mr. Childs.

Mr. CHILDS. Mr. Chairman, I would like to be permitted to submit the following resolution on old-age and survivors insurance which was unanimously adopted by the 15th Constitutional Convention of the CIO in November 1953.

Senator BENNETT. You are submitting that for the record?

If you will hand it to the reporter it will be accepted in the record.

(The document referred to follows:)

(The following resolution on old-age and survivors insurance was unanimously adopted at the 15th Constitutional Convention of the CIO in November 1953:)

RESOLUTION NO. 44—SOCIAL SECURITY

Important issues in the field of social security are to receive serious consideration at the coming session of Congress.

A constructive program embodied in a bill sponsored by Senator Lehman and more than two dozen other liberals, S. 2260, would substantially raise benefits under old-age and survivors insurance, would extend its coverage, liberalize the retirement tests, and add Federal programs of permanent and temporary disability insurance. It would also provide increased funds for rehabilitation of injured workers.

The Eisenhower administration has so far made no suggestions for improvement of social security other than a noncontroversial extension of coverage of old-age and survivors insurance.

The House Ways and Means Committee expects to hold hearings, probably in the spring, on social-security amendments. A subcommittee, headed by Congressman Curtis, who has long opposed all progressive social-security measures, is making a comprehensive survey with the aid of a staff headed by persons who oppose even the present inadequate system.

The United States Chamber of Commerce has been promoting amendments which would severely impair both old-age and survivors insurance and old-age assistance. It would end Federal grants to the States for old-age assistance. Instead, the cost of caring for the present aged, who have not been covered by OASI, would be shifted to the contributions of workers and employers to the OSAI trust fund. The proposed minimum payments of $25 a month would be grossly unfair to recipients since 5 out of 6 aged persons receiving public assistance now get more than $25 a month. Persons now covered by old-age and survivors insurance would be faced with possible loss of benefits as a result of the drain on the fund, or would have to make substantially higher contributions.

Many of those who support the chamber of commerce plan hope that it will lead to lower benefits, and perhaps to abandoning the concept of relating benefits to earnings and to substituting a means test for a genuine insurance program.

It has been suggested by President Eisenhower and others that the automatic increase in the payroll tax from 1½ percent to 2 percent scheduled under existing law for January 1, should be repealed. The CIO executive board protested such a freeze at its June meeting and Congress did not act at the last session. There are signs, however, that the matter will be pressed early next year. Now, therefore, be it

Resolved, That the CIO reaffirms its belief in a comprehensive insurance program covering all Americans with an adequate system of benefits against the

hazards of old age, survivorship after the death of the family breadwinner, permanent and total disability, temporary sickness and injury, unemployment, and the cost of medical care.

We believe that a sound program of this type must relate benefits to earnings and must include an adequate reserve. We believe that all persons now aged should be provided for adequately in a suitable manner, but the costs of such a program for those who have not been covered by old-age and survivors insurance should be met from general revenues based on progressive taxation, not from contributions to the trust fund.

We support the constructive program embodied in the bill introduced by Senator Lehman and others (S. 2260) to raise benefits, extend coverage, add programs of total and temporary disability insurance, and make other improvements.

We call upon the Eisenhower administration to join us in seeking such much-needed changes rather than confining its recommendations to extension of coverage. A clear-cut program for further advances, sponsored by the administration, would be the most effective answer to attacks such as those that are being made by the chamber of commerce.

We oppose any postponement of the scheduled increase in the payroll tax for old-age and survivors insurance. We reaffirm our previous stand that labor is willing to bear its fair share of the cost of an adequate program, and that lower payments now can only mean higher payments or lower benefits later. The American people are entitled to confidence that benefit provisions enacted into law will be met.

We favor amendments to the Social Security Acts which will improve public assistance and maternal and child welfare services, and which will extend full social security, including full unemployment insurance, to the people of Puerto Rico.

We urge our affiliates to continue their efforts to improve State laws in the field of social security, including temporary disability insurance and public assistance.

As labor unionists, we shall continue our efforts through collective bargaining to improve and extend health, welfare, and pension plans so as to achieve necessary protection for our members and to continue to bring pressure for increased legislation protection for everyone.

Senator BENNETT. Senator George, have you any questions?

Senator GEORGE. I have no questions.

Senator BENNETT. Well, I have none.

Mr. CHILDS. Mr. Chairman, we would also like to ask the committee to hold off on our testimony for a brief written submission on behalf of the textile workers.

Senator BENNETT. All of the record will be held open until the end of the hearings. When do you expect that?

Mr. CHILDS. He was to be here this morning, Mr. Chairman.

Senator BENNETT. We will be happy to arrange to have it put into the record following your testimony.

Mr. CHILDS. Thank you.

(The statement referred to follows:)

TESTIMONY ON BEHALF OF TEXTILE WORKERS UNION OF AMERICA, CIO, BY SOLOMON BARKIN, DIRECTOR OF RESEARCH, TWUA—OLDER WORKERS IN TEXTILE INDUSTRY DESPERATELY NEED IMPROVED SOCIAL SECURITY LEGISLATION

Immediate action is required to assist the tens of thousands of older textile workers who are today, and in all sections of the country, losing their jobs through mill liquidations or the discriminatory layoffs designed to rid nonunion mills of their older employees. Unfortunately many of these persons have lost their jobs in areas of chronic and growing unemployment where alternative jobs, even for younger persons, are scarce. In areas where there are jobs, employers are discriminating against older applicants in the current surplus labor market. Few textile companies provide private pensions for the aged persons who have lost their jobs so that they must fall back exclusively upon their own resources and the Federal old-age and survivors benefit program for their support. When these fail they will have to depend upon outright public assistance after having served their industry and employers faithfully for several decades.

Adequate Federal pension programs are a minimum to which these industrial veterans are entitled. Having been scrapped by a callous industry which refused in collective bargaining to create private pension programs and by employers who have fired them to make room for younger persons, the minimum that these workers should receive is a satisfactory Federal pension program to assure them existence in health and decency. We therefore urge the Federal Government to correct the heartlessness and miserly disregard for the older worker exhibited by the private managements in the textile industry by liberalizing the benefits under the present Federal security program.

HIGH PROPORTION OF AGED WORKERS

The effect of the current drastic contraction in the textile industry is being felt particularly by the older workers because this industry has an unusually large proportion of mature and middle-aged employees. Mill liquidations and reductions in employment are most severe in the areas with the oldest work populations. The latest study of the ages of workers establishments covered by the old-age and survivors insurance shows that the proportion of male workers 65 years of age and over was 5.2 percent in textiles as compared with the average for all manufacturing industries of 2.7 percent.

There were no manufacturing groups other than apparel and leather products which could boast of as large a proportion of older male workers. Only the finance, insurance, and real-estate industries among the major classifications of jobs had a larger proportion of male workers 65 years of age or over. The proportion of women workers 65 years of age and over was in textiles, 1.3 (Anna Bercowitz, Age of Workers in Covered Employment: Industry Differences, 1949, Social Security Bulletin, April 1953, vol. 16, No. 14, p. 4).

TEXTILES IS A HIGHLY DEPRESSED INDUSTRY

The current recession has seen the volume of unemployment in the United States grow to a total of 3,305,000 in May 1954. The total will continue to increase through the coming months. In the textile industry we have had a drastic shrinkage of jobs since the peak of February 1951. Production-worker employment then stood at 1,209,000; in February 1952 the total was 1,110,000. By May 1954 employment had declined to 971,000—a net reduction of 298,000. But this figure understates the actual turnover which has most adversely affected older workers.

There is widespread chronic and prolonged unemployment for many workers in the industry. This has contributed to the increase in the number of distressed communities. In the May 1954 report the United States Bureau of Employment Security classified 4 textile communities in the 7 major areas suffering from "very substantial labor surpluses" with 12 percent or more unemployment (Lawrence, Mass.; Providence, R. I.; Altoona, Pa.; and Wilkes-Barre-Hazleton, Pa.).

In January 1954, when the proportion of the civilian labor force which was unemployed averaged 4.9 percent for the United States as a whole; the proportion of idle workers in most textile communities exceeded 7 percent. The following are representative of unemployment rates in textile areas:

Percent of civilian labor force unemployment, January 1954

State and area:	
Massachusetts:	
Fall River	7.8
Lawrence	23.6
New Bedford	9.4
North Adams	8.2
Rhode Island: Providence	(1)
New Jersey: Paterson	6.1
Pennsylvania:	
Altoona	10.7
Scranton	12.1
Wilkes-Barre-Hazleton	12.7
North Carolina:	
Ashville	8.4
Durham	9.3

[1] Over 8 percent.

Source: Bureau of Employment Security.

SHRINKAGE PERMANENT

The shrinkage in employment in the textile industry is for the most part a permanent one. At least 75,000 workers have lost their jobs in plants which have been permanently closed. A special tabulation of the number of closed mills in the yard and weaving divisions of the textile industry, which normally employ 68 percent of the total, indicates the following number of reported mill closings by year and the normal employment of these mills. While the greater number are located in the Northern States, many are to be found in the southern region and in other geographical localities.

Year	Mills liquidated	Normal employment
1950	40	4,000
1951	50	8,000
1952	75	26,000
1953	65	21,000

Many factors have contributed to the displacement. Probably most significant have been the technological changes which have reduced the requirements for workers per unit of output and shifted demand from the high- to the low-input divisions. New machinery has made possible automatic processing of materials at higher speeds and with larger packages. Processes have been telescoped and material handling reduced through new plant layouts and mechanical contrivances. The shift from the woolen and worsted processes to cotton methods of handling long-staple yarns and the introduction of new synthetic yarns have eliminated many older divisions employing high proportions of people.

EMPLOYMENT DECLINED WHILE OUTPUT INCREASES

A dramatic illustration of the impact of the rising productivity upon textile employment is afforded by a comparative study of employment in the textile industry as compared with that in the apparel and finished textile goods industry, which is the primary consumer of textile products for nonindustrial uses. While textile employment has declined from 1929 to date by 18 percent, employment in the apparel industry has risen by 58 percent. Productivity has also risen in the apparel industry. This disparity is a crude measure of the extraordinary effect of productivity on employment. Another equally telling measure is the fact that textile employment declined between 1948 and 1953 by 15 percent in face of a rise in broad woven fabric output of 4 percent.

The distress in the textile industry is so severe and its ill effects so pervasive as to warrant a national investigation. While employment in manufacturing industries declined by 6 percent between February 1951 and May 1954, the drop in the textile industries has been 23 percent.

IMPACT OF SLUMP ON OLDER WORKERS

The older workers are the chief sufferers from mill liquidations. They have the greatest difficulty in finding new jobs when the mills in which they have been working—frequently for several decades—shut down. The skills which they have acquired over the years are largely wasted, as there has been little transferability of skills from the textile industry to the industries which are growing in textile areas. Indeed, the recruitment policies of the firms which are expanding militate against the employment of former textile workers because of the emphasis on hiring young people. As a result, thousands of able-bodied men and women are being relegated to a new industrial scrap heap.

The insurmountable obstacles faced by older workers seeking employment as a result of technological displacement or plant shutdowns are indicated in a number of surveys conducted in recent years on the experience of the labor force of liquidated textile mills.

BLOOMFIELD, N. J.

In July 1957, the Oakes Mill in Bloomfield, N. J. was closed permanently and the union surveyed 182 of the former employees a year later to determine their experience in obtaining employment. While 68 percent of the workers had found some job during the year following the mill's closing, only 6 percent of

the workers aged 65 and over had been so fortunate. Moreover, while 44 percent of the workers were still employed on the date of the survey (July 31, 1948), none of the 65 and over group had retained his job.

ESMOND, R. I.

In May 1948, the Esmond Mills in Esmond, R. I. was liquidated and a union survey of 628 former employees in November 1948 revealed that while 48 percent of the workers were able to obtain a job in the half-year following the mill's shutdown, the proportion of successful job seekers dropped sharply after the age of 50: in the 40 to 49 bracket, 56 percent had obtained a job, 30 percent in the 50 to 59 class, 28 percent in the 60 to 64 class and only 15 percent in the 65 and over category. Similar disparities were indicated in the distribution of former Esmond Mill workers who were employed as of November 30, 1948: while 39 percent of all workers were employed, only 15 percent of the 65 and over group had a job (table 1).

In 1952, the staff of the Committee of New England of the National Planning Association conducted studies of the postliquidation experience of employees of two textile mills. The report of the committee is currently in the process of publication. It will show that there was little transference of skill levels among those who were able to find jobs. With regard to one of the plants studied (a New Hampshire woolen and worsted mill) the committee found that 13 percent of the labor force withdrew from the labor market after losing their jobs, most of these being older workers, particularly women past 60 years of age.

DISPLACED TEXTILE WORKERS NOT ABSORBED

A study currently under way by the Bureau of Business and Economic Research of Northeastern University in Boston has resulted in the interviewing of 756 workers from three liquidated mills in New Hampshire and Massachusetts (1 in Fall River and 1 in Lowell). William H. Miernyk, director of this study, has reported the first findings as follows: Displaced textile workers are generally not being absorbed by the growth industries. "New industries evidently are filling jobs with newcomers in the labor market instead of with displaced textile workers, according to the bureau's findings," reports Business Week, March 6, 1954. "In Lowell, younger male workers found new jobs, but those over 45 years of age still were largely unemployed after a year. * * * In New Hampshire * * * 2 years after the shutdown, almost a third of the 200 laid off in the woolen mill were still out of work."

OLDER MILLS ARE ONES THAT CLOSE

In 1954, the Stehli & Co. mill in Lancaster, Pa., was closed permanently, throwing 500 workers out of their jobs. Like most mills that have been liquidated in the recent period, it had been in operation for many years and its labor force included a large proportion of older workers. While male workers 65 years and over comprise approximately 5 percent of the industry's male labor force, the proportion of this age group in the Stehli Mill amounted to more than 10 percent. This is indicative of a condition which is prevalent among many of the older textile mills. A very high proportion of their workers are of advanced age. The obsolescence of the older mills has resulted in a high rate of liquidations among these mills and this has displaced many thousands of workers over 65 years of age. Adequate social-security benefits are needed to alleviate the distress of these workers.

The above report of the Committee of New England concludes that "job displacement as a result of the liquidation or migration of a mill or factory is particularly hard on the older worker. If a worker past 50 years of age can continue at this present work, he may have many years of productive and remunerative employment left to them. If he loses his job most employers will be reluctant to hire him. He may be barred from productive work at a relatively early age and he may be forced to accept such casual employment as comes his way or to withdraw from the labor force entirely." The problem of the older worker is so serious that the Committee of New England urges strongly a "modification in employers' attitudes toward the hiring of older workers."

But this change of heart has not taken place and in the present loose labor market there is little likelihood of sympathetic consideration of older persons. As members of the marginal labor group, they will carry the greatest burdens of

unemployment. After years of faithful service to American industry they are rightfully entitled to a Federal pension of adequate amount.

DEPENDENCE OF TEXTILE WORKERS ON SOCIAL-SECURITY BENEFITS

To thousands of older workers who have been displaced in liquidated textile mills the old-age benefits offered by the Federal social-security program represent the sole means of support for themselves and their families. The average earnings of textile workers are among the lowest in the scale of manufacturing industries. Thus, in 1953, the average hourly earnings of textile workers were $1.37, compared to an average of $1.77 for all manufacturing industries. Consequently, few textile workers' families will be found among the 69 percent of the Nation's spending units which have accumulated liquid assets. Certainly very few of the top 30 percent of America's families which have liquid savings of $1,000 or more are textile workers.

Unlike the employees in most organized mass-production industries, few textile workers can rely on private pension plans to supplement their social-security benefits. The following proportions of the production workers in the major industry branches are covered by private pension plans of even the most modest types.

Cotton mills	10.6
Synthetic textiles	6.0
Woolen and worsted mills	13.0

Source: Bureau of Labor Statistics.

It is evident from the above that only about 10 percent of the industry's workers enjoy private supplementation to the Federal old-age and survivors' insurance. The bulk of the workers must therefore rely on the Federal program to provide them with a decent standard of living in their old age. They have earned such standards by dint of their many years of hard work. It would be a gross injustice to deprive them of adequate social-security benefits in an era of growing productivity and rising standards of living.

TABLE I.—*Percentage distribution of 628 former Esmond workers by age and experience in obtaining work from date of layoff to Nov. 30, 1948*

Esmond workers experience	Total number	Age groups						
		Under 20	20 to 29	30 to 39	40 to 49	50 to 59	60 to 64	65 and over
Number of persons	628	25	75	145	156	136	50	41
Total	100	100	100	100	100	100	100	100
Obtained no job	52	36	45	34	44	68	72	83
Obtained a job	48	64	53	66	56	30	28	15
1 job	41	52	45	54	52	26	20	15
More than 1 job	6	12	8	10	4	3	4	
Number not specified	1			1		1	4	
No answer			2	1				
Presently employed	39	60	43	52	44	24	28	15
At 1st job	32	48	31	43	40	21	20	15
At 2d job	5	12	5	8	3	2	4	
Not specified	2		7	1	1	1	4	

TABLE 11.—*Old-age and survivors' insurance recipients in selected textile areas as of the end of the year 1950–53*

	1950	1951	1952	1953	Percent change to 1953—	
					From 1950	From 1952
Massachusetts:						
Lawrence	5,700	6,900	7,800	9,000	57.9	15.4
Lowell	5,000	6,000	6,800	8,400	68.0	23.5
New Bedford	8,500	10,300	11,600	13,400	57.6	15.5
Fall River	5,800	7,100	8,000	9,200	58.6	15.0
Rhode Island:						
Woonsocket	2,800	3,400	3,800	4,400	57.1	15.8
Providence	18,800	22,900	25,700	29,700	58.0	15.6

Source: Social Security Administration.

At the Eighth Biennial Convention of the Textile Workers Union of America held in Atlantic City, N. J., the first week in May 1954, a resolution was unanimously adopted urging that the Congress enact legislation whose terms would be similar to those contained in the Lehman-Dingell bill (S. 2260). On behalf of the 300,000 members of the Textile Workers Union of America, we strongly recommend a much liberalized social-security program.

Senator BENNETT. Now, Mr. MacMillin, we will be happy to hear you.

STATEMENT OF FREDERICK N. MacMILLIN, CHAIRMAN, COMMITTEE ON EXTENSION OF SOCIAL SECURITY, AMERICAN MUNICIPAL ASSOCIATION

Mr. MACMILLIN. My name is Frederick N. MacMillin. I appear as chairman of the committee on extension of social security of the municipal association—of which, incidentally, Mr. Patrick Healy has just become a director—which represents 12,000 local governments throughout the Nation, and I will present the position unanimously adopted at the last annual convention of this association.

I am authorized to state that the presentation made herewith is joined in by the following national organizations:

Association of Land-Grant Colleges and Universities.
National Association of County Officials.
National Association of Housing and Redevelopment Officials.
National Institute of Municipal Law Officers.
United States Conference of Mayors.

And, Mr. Chairman, I would like to submit for the record on behalf of the Association of Land-Grant Colleges and Universities and the National Association of Universities, to be included in the record.

Senator BENNETT. That will be accepted and included in the record following your remarks.

Mr. MACMILLIN. The Council of State Governments has submitted to this committee a statement which conforms to the position we present this morning.

Our appearance is confined to the provisions contained on pages 11 to 19, inclusive, of H. R. 9366 which would eliminate the absolute prohibition now contained in section 218 (d) of the Social Security Act which bars many public employees from coverage.

We believe that these provisions are a step in the right direction. But we also consider that as drafted such constitute an attempt to

induce Congress to legislate unnecessarily on the details of the employee relationships between State and local governments and the persons on their payrolls. We deem this to be establishing an unwise precedent.

Therefore, we respectfully submit for consideration by the committee proposed alternate language to be substituted for this material on pages 11 to 10.

Senator BENNETT. That will appear at this point in your remarks.

(The document referred to follows:)

PROPOSED AMENDMENT TO H. R. 9366 RELATING TO THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM

(To be substituted for the material beginning at line 12 on p. 11 through line 22 on p. 10.)

SEC. 1. Section 218 (b) (5) of the Social Security Act is amended to read as follows:

"The term 'coverage group' means (A) employees of a State engaged in performing service—

(i) in connection with any function other than a proprietary function;
(ii) in connection with a single proprietary function;
(iii) in positions covered by the same retirement system; or
(iv) in policemen's or firemen's positions; or

(B) employees of a political subdivision of a State engaged in performing service—

(i) in connection with any function other than a proprietary function;
(ii) in connection with a single proprietary function;
(iii) in positions covered by the same retirement system; or
(iv) in policemen's or firemen's positions.

If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then for the purposes of paragraphs (A) and (B) of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to each political subdivision concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State. If under paragraphs (A) and (B) of this subsection an employee of a State or of a political subdivision of a State would be included in more than one coverage group of employees of the State or of employees of a political subdivision of a State, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement."

SEC. 2. Section 218 (d) of the Social Security Act is repealed.

Mr. MACMILLIN. We can readily understand how Members of Congress may well be thoroughly exasperated because of the numerous and conflicting viewpoints which have been presented by those purporting to represent the views of certain groups of those in public employment. We can well appreciate why you might well suggest that you should not be expected to take the time to resolve these conflicts.

It should be emphasized here that any action by Congress to modify the existing prohibition contained in section 218 (d) of the Social Security Act will not in itself bring a single public employee under social security. Instead, it would simply remove a barrier which Congress has erected previously.

The present provisions in section 218 (d) discriminate against those in public employment. No such restrictions have been enacted by Congress applicable to those in private business and industry. As a result, today there are some 10 million or more private employees who are covered both by OASI and also by a retirement plan established by business and industry.

Congress has made this impossible for public employees. Consequently, section 218 (d) actually has stimulated the repeal of existing retirement systems for public employees so that the persons concerned could secure the very valuable advantages of OASI. In most instances after the OASI coverage had been achieved, then a supplementary retirement system was established for these public employees. So the result generally has been to bring these particular public employees under two retirement systems, but a more cumbersome and circuitous procedure was required to procure the same results as could be done directly for those in private employment.

Therefore, it is manifestly unfair to include in this bill the language contained in line 12 on page 11 through line 22 on page 19. Such insinuates that public employees must run to Congress for protection. Actually, it is primarily due to the enactment of section 218 (d) by Congress that public employee retirement systems in some cases have been abolished in their previous form.

These retirement systems now covering State and local government employees were created in the first instance by State legislatures and the governing bodies of local governments.

The members of these legislative bodies had been duly elected by the voters of States and municipalities to deal with these problems. If these representatives of the people were capable of establishing these retirement systems in the first instance, we believe that the citizens who elect them are content to have them also make any decision as to what modifications, if any, are required in these systems, should the personnel affected be brought under OASI.

We doubt very much whether those organizations which are now clamoring to have Congress enact hampering restrictions applicable to those under these retirement systems would be very pleased if it were to be suggested that Congress should hereafter decide all details pertaining to these retirement systems for State and municipal employees.

Even they would probably concede this to be a serious invasion of States rights. We believe that all of the detailed machinery proposed relative to referendums, the right of legislatures and local governing bodies to modify existing public employee retirement systems, and so on, are also in direct violation of States rights.

It is even more than that. It would almost seem that Congress in effect would be saying: "We trust every management of a private business or industrial corporation, every partnership and every entrepreneur in the country, but we do not trust State legislatures, county boards, and city councils duly elected by citizens who have vested their faith in them." We do not believe that Congress wants to officially indicate such lack of confidence in all duly elected representatives at other levels of government in this Nation.

So we urge that the Members of Congress should not be expected to become involved in any controversy over questions that should be decided at the State and local level. Instead, Congress should merely remove the obstacle it has already set up in section 218 (d), and the amendment we propose would do just that.

Before any such person could be brought under OASI, the State legislature or other govering body concerned would have to act. The employees affected would have a hearing before such legislative

body just as they did in the case of the enactment of the existing system. This is democracy in action in accordance with our traditional American scheme of government.

Moreover, the referendum proposed in this bill, which has never been proposed in any form for those in business and industry, is also a serious violation of our American tradition of majority rule. If a majority of those voting are qualified to elect a Member of Congress, we believe that where there is so much self-interest involved, the proposal requiring a two-thirds majority is entirely unwarranted.

It should be emphasized that when these existing retirement systems were established, and as they have been modified from time to time since their original enactment, it has never been the practice to require a referendum.

If no referendum was deemed necessary then, obviously there is no logical reason why the Congress should need to interject complicated referendum provisions now. That matter should be decided by State legislatures and local governing bodies—they should not pass the buck to you.

It happens that I can speak from practical experience on the subject matter of this presentation because of the unique situation which does not exist for any other person now. This is because I am also the executive director of the Wisconsin retirement fund. This committee will recall that last August there was enacted into law a provision which authorized the coverage of persons under the Wisconsin retirement fund notwithstanding section 218 (d). This is the only example of the integration of an existing public employee retirement system with OASI.

As of today, over 30,000 State, county, and municipal employees in Wisconsin have received the benefits of this integration. I wish that the members of this committee could have heard the repeated expressions of appreciation from public employees who have benefited from this integration. These people are grateful to Congress for making this possible.

In Wisconsin we are amazed at the controversy that has arisen in other systems and other States. There never has been any dispute in Wisconsin after the people affected really understood what was proposed, and we don't think that is true in many cases.

There has been complete unanimity of opinion on the part of the State legislature, the county boards, the city councils, and the organizations representing State and municipal employees.

For the information of the committee, I am filing a copy of a statement by the representative of the Wisconsin State Employees Association, which I hope that you will examine.

Senator BENNETT. It will be received and inserted in the record.

(The statement referred to follows:)

THE WISCONSIN STATE EMPLOYEES ASSOCIATION,
Madison, Wis., January 19, 1954.

Mr. FREDERICK N. MACMILLIN,
Executive Secretary, League of Wisconsin Municipalities,
Madison, Wis.

DEAR MR. MACMILLIN: The Wisconsin State Employees Association, as you may know, is a State council of local unions of State employees affiliated with the American Federation of State, County, and Municipal Employees.

You have inquired whether the members of this organization who were affected by the integration of the Wisconsin retirement fund with the Federal

OASI system have ever indicated any dissatisfaction because no opportunity for a referendum was afforded upon the question of such integration.

Because the inclusion of our membership under two retirement plans instead of one so vitally affected the persons concerned, this matter was repeatedly discussed at statewide and local meetings over a period of several years. So far as I can recall, there was never any discussion of the need for any referendum. It seemed to us that we were simply asking that public employees be treated upon the same basis as those in private employment, and since no referendum was involved for those under retirement systems in business and industry, it never occurred to us to suggest a referendum.

When the Byrnes-Wiley bill was pending in Congress we naturally followed its course with great interest because it meant so much to our membership. However, since we assumed that Congress under our Federal Constitution was supposed to deal only with matters of national interest, and since we had faith in our State legislature, we never gave any consideration to loading down the Federal enabling act with a lot of details which properly are the function of a State legislature.

Now that our membership is included under both the Wisconsin retirement fund and the Federal old-age and survivors insurance system, I have found that with a few minor exceptions the persons belonging to this organization are very grateful that the Congress and the Wisconsin Legislature had made it possible for them to be protected by two retirement plans, which to some extent fill different needs, as is becoming so prevalent for employees of business and industry.

Sincerely yours,

ROY E. KUBISTA, *Executive Secretary.*

Mr. MACMILLIN. I submit for the record a statement in behalf of the Association of Land-Grant Colleges and Universities and the National Association of State Universities, prepared by Raymond C. Magrath, treasurer of the University of New Hampshire.

Senator BENNETT. It will be received and inserted in the record.

(The statement referred to follows:)

STATEMENT ON BEHALF OF THE ASSOCIATION OF LAND-GRANT COLLEGES AND UNIVERSITIES AND THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES, PREPARED BY RAYMOND C. MAGRATH, TREASURER, UNIVERSITY OF NEW HAMPSHIRE

Subject: Amendment of the Social Security Act to permit public colleges and universities to come under Federal old-age and survivors insurance without abolishing their existing retirement systems.

Mr. Chairman and members of the committee, my name is Raymond C. Magrath and I am treasurer of the University of New Hampshire, Durham, N. H. I am appearing here to represent the Association of Land-Grant Colleges and Universities and the National Association of State Universities with a combined membership of 70 institutions located in each of the 48 States, Alaska, Hawaii, and Puerto Rico. My appearance in behalf of these associations is in accordance with the official positions of these associations taken by the representatives of all their member institutions at their most recent conventions.

Briefly, our position as established in repeated actions at national conventions and in detailed surveys of our membership, is one of strong support for amendment of the Social Security Act to make it possible for publicly supported colleges and universities, with the approval of their duly constituted governing authorities, to cover their staffs and employees under Federal old-age and survivors insurance without having to eliminate existing retirement systems to do so.

The 1950 amendments to the Social Security Act made it possible for private nonprofit organizations, including colleges and universities, to come under old-age and survivors insurance on a voluntary basis, and hundreds of them have done so. Section 218 of this act permitted coverage of State and local employees, but by the provisions of section 218 (d) forbade such coverage to any such employees in positions covered by a retirement system on the effective date of a State-Federal agreement for old-age and survivors insurance coverage. This exclusion was advocated by certain groups as constituting a protection to existing State and local retirement systems. This, I believe, has had exactly

the opposite effect. It has motivated some institutions to abolish existing systems as a condition to coming under Federal old-age and survivors insurance. The latter has many desirable features as a supplement to existing State and local retirement systems. The Social Security Administration has interpreted the provision strictly, with the result that no public college or university can bring its employees under Federal coverage without first abolishing its present retirement plan, regardless of its nature. Several States, and several individual colleges and universities by action of their trustees, have in fact abolished existing retirement systems in order to come under the Federal act, and then proceeded to reestablish their own retirement systems. Such a procedure is complex, unnecessary, and full of hazards for individuals and groups involved.

The members of the two associations which I represent are aware of the enormous scope and complexity of the program encompassed under the Social Security Act, as amended. We are aware of the past and present controversies surrounding proposals to make Federal old-age and survivors insurance coverage available to public employees generally. What we desire, and on which all groups involved in public higher education are united, is an opportunity for our institutions to participate in old-age and survivors insurance coverage, subject only to that affirmative action by our duly constituted governing bodies which is necessary for the promulgation of a voluntary agreement by a State or any arm of the State to pay the amounts represented by the withholding tax for old age and survivors insurance.

The joint committee of business officers of the National Association of State Universities and the Association of Land-Grant Colleges and Universities, of which I am a member, conducted a detailed survey of the attitudes and desires of members of both associations with respect to Federal old-age and survivors insurance coverage. They found that 90 percent of the institutions responding favored an amendment to the present law to make Federal retirement coverage possible without the abolition of existing retirement systems. Among the reasons given for this position which were mentioned most frequently were the following:

In the first place, Federal retirement coverage is generally transferrable to other employment, while State or university retirement coverage is not. The present law thus creates an arbitrary barrier between employees of private colleges and universities and those of the many public institutions which are not under Federal coverage. Staff members of a "covered" institution hesitate to accept employment in one not covered, because they can no longer participate in Federal coverage. Staff members of public universities which have retirement systems, but do not have Federal coverage, hesitate to accept employment in other institutions—even though federally covered—because they must give up all their existing retirement protection if they change employment. The staffs of public universities generally are frankly unable to understand why it is that their universities cannot take part in Federal coverage without abolishing their existing retirement systems, when any private college or any private employer in the United States can do so.

An even more important reason for desiring the opportunity for Federal coverage is that many existing university retirement plan provide inadequate retirement protection. Some institutions wish to add old-age and survivors insurance protection on top of their existing retirement systems. Other believe they can obtain better retirement protection for their employees at no increase in present costs, by reducing payments into existing retirement systems by the amount that is paid into the Federal system. The Federal system, for example, has survivorship rights which are not incorporated in many institutional systems.

The Federal old-age and survivors insurance program was established on the general basis of universality of minimum retirement protection for all citizens. It was designed to supplement, or serve as a floor under, existing or future non-Federal retirement programs, not as a replacement for them. Its integrity is, in the last analysis, guaranteed by the general taxing power on all citizens. We do not believe that the States or their colleges and universities and their staffs should be penalized for having retirement systems by excluding publicly supported educational institutions having retirement systems from the opportunity for participation in the Federal system.

The specific portions of House bill 9366 on which we wish to offer comment are contained in subsection (h) of section 101, appearing on page 11 of the House bill, starting with line 10.

Section 101 (h) (2) (appearing on p. 12 of the House bill) contains a statement of policy by the Congress to the effect that it is the intent of Congress that

coverage presently afforded public employees in positions covered by a retirement system will not be impaired as a result of an agreement providing for Federal old-age and survivors insurance coverage. We request that if this provision is retained, language be inserted in the provision or included in the committee report, making it clear that the intent of Congres will be complied with if total retirement protection after extension of Federal coverage is at least as great as it was previously.

Section 101 (h) (2) also provides for a written referendum of employees now covered by a retirement system, on the question of whether or not they are to be covered under Federal old age and survivors insurance. In this referendum, as provided in the House bill, a majority of all eligible employees must vote, and at least two-thirds of those voting must favor coming under Federal coverage.

We believe that, since the Social Security Act does not require a referendum in the case of private employees, the Congress should not impose such a requirement in the case of employees of State and local governments. Existing State and local retirement systems have been created by the acts of legislatures, boards of trustees of public universities, and municipal and county authorities, and there is no evidence that such bodies have any desire to use the opportunity for old-age and survivors insurance coverage to do anything other than to strengthen their existing systems. Should the referendum provision be retained, we urge that in no case should it be made more restrictive than the present provisions of the House bill. Any referendum election should be decided by those who exercise the privilege of voting in it, having been given opportunity so to do.

In order to facilitate the coverage of employees of several public colleges and universities which constitute special problems, we strongly recommend inclusion in H. R. 9366 of the following provision to be numbered (7) and to follow the paragraph numbered (6) proposed on page 16, line 9, of H. R. 9366:

"(7) Any public college, university, or other institution of higher education shall, if the State so desires, be deemed to be a separate retirement system for purposes of the preceding paragraphs of this subsection."

The above provision, which is not mandatory but permissive, has been discussed with various educational groups and with officers of the social-security administration, and we know of no objection to it.

In summary, we respectfully suggest that the time has come when those groups which desire OASI coverage should no longer be excluded. The public colleges and universities were agreed on the desirability of making possible coverage of those with existing retirement systems in 1950, when the present amendments were adopted. At the same time the Congress in 1950 adoped section 218 (d) which barred employees of public colleges and universities with retirement systems from participation in OASI, it opened the door to coverage of employees of nonpublic colleges and universities and other nonprofit groups having retirement systems. Four years have passed, and hundreds of employees of public universities have retired at a disadvantage as compared to their contemporaries in nonpublic universities. Many more are approaching retirement age. We request that whatever the nature of this committee's action on section 218 (d), the action be of such a nature as to permit public colleges and universities to bring their employees under old-age and survivors insurance coverage without abolishing their existing retirement systems. This would place all colleges and universities in the country on the same basis, and would have the enthusiastic support of the vast majority of public institutions and their staff members.

The basic reasons why public colleges and universities desire to have the opportunity to participate in OASI without sacrificing existing retirement plans are:

1. To correct existing inequities incident to employment publicly supported versus private institutions.

2. To correct the disadvantageous position of publicly supported institutions in competition with private institutions covered by OASI in seeking new and distinguished faculty and staff.

3. To correct existing inadequacies of present retirement systems in relation to problems of inflation and retirement.

4. To correct to a degree existing inadequacies of present retirement plans which make little or no provision for survivors.

5. To recognize that OASI is designed to meet minimum coverage whereas existing retirement coverage added to OASI will provide, as is common practice in industry, for retirement maintenance to support existing standards.

6. To bring employees of publicly supported institutions under the social-security law since these employees as citizens are taxpayers supporting the program but precluded from benefit coverage under it.

Mr. MacMillin. Finally, there is the proposal that policemen and firemen be excluded from the provisions of this measure. We believe that they will regret this later, but if they insist, we do not oppose it, and we respectfully reiterate the request that that be entirely eliminated from the bill.

In closing I wish to emphasize particularly that two provisions in this portion of the bill are especially unsatisfactory in their present form.

First with respect to the statement of policy contained in lines 11 through 18 on page 12 of H. R. 9366. Undoubtedly, it was merely the intent of those who drafted this to indicate in general terms what the aim of Congress was in making possible integration of existing public employee retirement systems. However, competent attorneys experienced in this field inform us that this provision may well result in endless litigation against State and municipal governments. Such would be based upon contentions that benefits under a particular system had been "impaired" within the meaning of this provision, and that such violated the contract between the Federal Government and the State or municipality. Such litigation might result in the case of adjustments such as are proposed for Federal employees in the recent report (S. Doc. No. 89—pt. 3) of the Committee on Retirement Policy for Federal Personnel.

Congress has not made private business and industry subject to such expensive litigation and it would seem to be very undesirable to foist any such burden upon taxpayers throughout the country.

We believe that lines 11 through 19 on page 12 should be eliminated completely.

Lastly, on page 13, we are suggesting a clarifying amendment.

Senator Bennett. May I interrupt you?

Mr. MacMillin. Yes, sir.

Senator Bennett. Is your suggestion that paragraph 2 on line 11, the entire paragraph be eliminated?

Mr. MacMillin. Yes.

On page 13 before the semicolon at the end of line 14, we suggest the following clarifying amendments: "Pursuant to authority of State or local law."

The reason for that, Mr. Chairman is—well, take some of our cities, for example: Their retirement systems have been enacted in their local charters. In many cases those require a vote of the people. We think that is not desirable to purport to set up a procedure which bypasses that established procedure, and if a retirement system in the first instance was set up by charter amendment, we think any such proposal as this should go through the same procedure. If it is done by the governing body, the county board, that this should go through the same procedure and we believe that amendment would accomplish this purpose.

In amplification of these last two points I would like to submit, what I think is a clear statement here, by President Edward V. Mills of the Downtown Association of San Francisco on those two points.

Senator Bennett. The statement will be accepted.

(The statement referred to follows:)

June 23, 1954.

Night letter to Senators William F. Knowland and Thomas Kuchel and Senator Eugene D. Millikin, Chairman, Finance Committee:

H. R. 9366 passed House now in Senate extends OASI coverage to State and municipal employees under certain conditions. San Francisco has for all employees very liberal pension system to which city contributes $15 million annually.

Bill declares policy of Congress that protection of any retirement system at effective date of act will not be impaired by making agreement with HEW or as result of legislative enactment in anticipation thereof. If announced policy could legally control it doubtless would prevent any change or reduction in pension payments under city pension system, apart from OASI, which could be construed as impairing protection of retirement system.

San Francisco pension system established by vote of people and voters have right to change by increase or reduction of benefits or otherwise. Paying one-half of OASI contributions city has right to coordinate benefits under its system with those under OASI. Congress has no power to cancel or restrict right of people to determine what pension system, apart from OASI, shall be adopted or continued in effect by city. Declaration of policy, therefore, cannot legally control.

Nevertheless such declaration is most objectionable because can be used to confuse voters by argument already made that congressional declaration of policy is absolute prohibition against any change or reduction of pension benefits under city's system which might be construed as impairment of protection.

We most earnestly urge deletion of declaration of policy from bill.

Also bill provides for agreement solely by State to bring in employees of State or political subdivision under provisions of bill. This also highly objectionable. Municipalities including San Francisco having their own pension systems certainly would object to being brought under operation of OASI by action of State without their having any voice in the matter. Bill also not clear how State would act in making agreement with HEW, whether by act of its legislature or independent action of governor.

We urge vital importance of bill providing that request upon and agreement with HEW on behalf of any municipality to be brought under OASI must be made by municipal authority either by its legislative body or by its electorate where municipal retirement system has been set up by vote of electors as in San Francisco.

We submit to you urgency of suggestions here proposed.

EDWARD V. MILLS,
President, Downtown Association of San Francisco.

Senator BENNETT. Senator George, do you have any questions?

Senator GEORGE. I think not.

Senator BENNETT. Thank you, Mr. MacMillin. I have none.

We were to have had a third witness this morning, Mr. Don Mahon, secretary of the National Independent Union Council, but he was not able to appear and at this point we will submit for the record the statement he would have read had he been present.

(The statement referred to follows:)

STATEMENT OF DON MAHON, SECRETARY, NATIONAL INDEPENDENT UNION COUNCIL RE SOCIAL SECURITY REVISION BILL H. R. 9366

Our organization, the National Independent Union Council, favors the overall provisions of H. R. 9366 to revise and improve the Social Security Act.

The National Independent Union Council is a national labor organization composed of many of the more than 2,500 independent unions in the United States and its Territories and possessions.

We feel that H. R. 9366 has failed to cover several important items that are of greatest assistance to people who depend on social security to meet most of their requirements. It is our position that provisions should be made to give social security coverage to all workers who are disabled to an extent where they cannot perform their customary work.

Under the existing law, permanently and totally disabled workers do not receive any assistace from social security until they have reached the age of 65. It is a well-known fact that most workers who are permanently and totally

disabled never live to reach age 65. Under present circumstances State compensation is inadequate to cover these cases, when disability is caused by industrial accidents. In cases where disability results from other causes the worker is in an even worse plight. The act should be revised to provide for complete coverage and full benefits for all industrial workers who are disabled from any standpoint.

We further propose that the amended Social Security Act should carry some provision for hospitalization and surgical benefits after retirement of workers. At present it is almost impossible to obtain individual guaranteed coverage from insurance companies without paying exorbitant premiums. Most companies and industries refuse to include such coverage in present existing group plans or in connection with pension plans. Those who must live on income provided by their social security are not in a position to pay additional premiums for hospital and surgical care. In fact they are not usually in a position to pay any premiums. This coverage should be provided for them as a result of their previous participation in various plans now in existence with respect to hospital and surgical care.

Our organization is greatly concerned with respect to the provisions for covering professional people who have not contributed in the past toward building up the existing social-security funds. It is quite obvious that if additional coverage is granted sufficient provisions should be made to compensate the fund for the many years that these people have not been paying into the fund. The simple truth being that it is impossible to take more money out of the bank than is put in. It would certainly be advantageous to those who desire to wreck the social-security system to see it go bankrupt.

We wish to thank you for your courtesy in allowing us to submit the above statement. We trust that consideration will be given to the points mentioned.

Senator Bennett. Since the Senate is meeting at 11, we will now recess these hearings until 11 o'clock tomorrow morning. At 10 o'clock tomorrow morning the committee will meet in executive session to consider a number of other bills before it which will delay the beginning of the open hearings until 11.

The committee is now in recess until 10 o'clock tomorrow morning.

(Whereupon, at 10:35 a. m., the committee recessed to reconvene at 10 a. m., Thursday, July 1, 1954.)

SOCIAL SECURITY AMENDMENTS OF 1954

THURSDAY, JULY 1, 1954

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

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 11 a. m., Senator Frank Carlson, presiding.

Present: Senators Carlson, Kerr, and Long.

Senator CARLSON (presiding). The committee will please come to order. We are sitting to hear testimony this morning on H. R. 9366. We have this situation confronting the committee that the Senate will convene in a very few moments and several of the members will want to attend the sessions, of course, and we will hear the witnesses as far as we can this morning. We sincerely hope that we can get through at an early date. It has been requested because some of the members wanted to hear the testimony of Dr. M. Forest Ashbrook, National Council of Churches of Christ, and Dr. Earl F. Adams, that we call them as the first witnesses.

Senator KERR. Mr. Chairman, I would like to ask Dr. Ashbrook just two questions, if I may do that.

Senator CARLSON. You wish to ask them questions before they proceed?

Senator KERR. Yes.

Senator CARLSON. The Chair recognizes the Senator from Oklahoma.

Senator KERR. If the committee should decide to adopt a provision which would make coverage for ministers available to them at their option, would that meet with the approval of yourself and your organization?

Dr. ASHBROOK. It would meet with our approval, yes. The point of view of the groups I represent is not for one particular method of inclusion but is primarily that ministers shall be included under social security on some voluntary basis. Whether it is self-employed voluntary, or as under the bill, except for the full voluntariness which we are going to suggest in our paper, either will be satisfactory.

Senator KERR. It would be be entirely satisfactory, then, if the committee decided to make it voluntary for them to come under it, on a self-employed basis? That would be a satisfactory method.

Dr. ASHBROOK. Yes.

Senator KERR. That is all I wanted to ask.

Senator CARLSON. Dr. Ashbrook, you may proceed in any way you care to, sir.

STATEMENT OF DR. M. FOREST ASHBROOK, NATIONAL COUNCIL OF THE CHURCHES OF CHRIST, ACCOMPANIED BY DR. EARL F. ADAMS

Dr. ASHBROOK. Thank you. I would like to introduce Dr. Earl F. Adams, who is assistant general secretary of the National Council of Churches, who may answer some questions which may be asked.

Senator CARLSON. We are very happy to have Dr. Adams with us this morning.

Dr. ASHBROOK. I am Dr. M. Forest Ashbrook. I serve as the executive director of the ministers and missionaries benefit board of the American Baptist Convention. I am testifying before your committee, however, as a representative of the National Council of the Churches of Christ in the United States of America, in which I serve as a member of the pensions committee.

The National Council of Churches is composed of 30 major Protestant and Eastern Orthodox communions in the United States. The total membership of these constituent bodies is approximately 36 million communicant members. The list of the member churches of the National Council of Churches is appended to this report. The number of ministers serving in these churches is conisderably in excess of 100,000.

I have been asked to express certain attitudes held by the National Council of Churches and its constituent church bodies, regarding the proposals set forth in H. R. 9366 for the extension of the Federal old-age and survivors' insurance program of social security to include ordained ministers, and to ask your committee to give your consideration to a proposed amendment consistent with such attitudes.

At its meeting held on May 19, 1953, in Chicago, Ill., the general board of the National Council adopted the following statement:

> That the general board declares its opinion that permissive provision for the voluntary participation of clergymen in the old-age and survivors' insurance plan of Federal social security is advisable and authorizes its officers and staff to make appropriate representations to Congress in support of measures to achieve it, with provision for appropriate recognition of and use of existing pension plans without impairment.

At the hearings on H. R. 7199 held by the Ways and Means Committee, the views and recommendations of the National Council with reference to the inclusion of ministers in the social-security system were presented in detail, along with the texts of separate statements on the subject that had been adopted by some 16 religious denominations. These statements, as well as the testimony of the Church Pensions Conference and other witnesses, are included in the record of the hearings.

We shall, therefore, not repeat to your committee all the matter that was presented to the House committee, but rather shall confine ourselves to the one recommendation for amendment of H. R. 9366 which we believe to be highly desirable.

H. R. 9366 now provides in section 101 (d) (1) (B) for inclusion of service performed in the employ of a religious, charitable, educational, or other organization by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry—

during the period for which a certificate, filed pursuant to section 1426 (1) (2) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began.

Both the filing of the certificate by the organization and the concurrence of its employed ministers would be entirely voluntary.

The amendment we request of your committee is the striking of the words beginning on line 7, page 8, of H. R. 9366, following the numeral (ii)—

who became an employee of such organization after the certificate was filed and after such period began—

and substituting therefor the following words—

whose signature appears on a supplemental list filed after the original certificate was filed and after such period began pursuant to section 1426 (1) (3) of the Internal Revenue Code.

A corresponding change would be required in section 1426 (b) of the Internal Revenue Code.

H. R. 9366 already provides, in its present language, that under section 1426 (1) (3), the list filed by an organization with its certificate may be amended at any time by filing

a supplemental list or lists containing the signature, address, and social-security number—if any—of each additional employee who concurs in the filing of the certificate.

The amendment we are requesting would simply mean that ministers employed by an organization subsequent to the filing of a certificate with the required concurrence of its ordained personnel would not be compulsorily covered under social security, but would have a right of choice as to later concurrence such as is extended to any eligible ordained employee not concurring at the time of the filing of the certificate as above described.

We believe this amendment would be an equitable one, and would effectively solve the problem of the minister who has conscientious objections to coverage and yet, under the provisions of H. R. 9366, would in these circumstances be compelled either to participate despite those objections or to forego service with a church or organization which has elected coverage.

My purpose in calling attention to this problem is not to argue against the participation of ministers in social security. I want that to be perfectly clear. It is, rather, to request that the committee in its deliberations seek to ease, insofar as possible, a problem that is peculiarly important to ministers. It is our desire and, we are sure, the desire of the committee that, if provision is to be made for inclusion of ministers in the system of social security, it should be on a basis that will be unobjectionable to them on grounds of conscience and will result in broad participation by ministers and church bodies. We believe that this simple amendment, well justified on ethical grounds and, we believe, also on practical grounds, would remove the objection to which we have called attention and facilitate a much broader participation in the program by church bodies and ministers than would be likely to result otherwise.

The above-stated problem, which disturbs a number of religious bodies with respect to the provisions of H. R. 9366, was recognized by

the group of consultants appointed by the Department of Health, Education, and Welfare, as set forth on pages 16 and 17 of their report in the following words:

> The other view is that if any class of individual is to be allowed to elect to stay outside of old-age and survivors insurance coverage, this freedom to choose should be extended to ministers, and its effectiveness should not be affected by transfer from one congregation to another. Resistance to coverage on the part of some ministers is considered by them to be a matter of principle. To meet this latter view it has been proposed that if a minister elected to be covered, he would be covered whenever he worked for an organization that had also elected coverage. A minister who had not elected coverage would not be covered, no matter what action his employing organization had taken. Those holding this view point out that in any case the minister would not have the election to come into the system unless the employing organization has similarly elected.

We believe the amendment we are requesting would effectively meet this difficulty.

The National Council of Churches wish me to express on their behalf their very deep appreciation of this opportunity of presenting their views on this matter and also the hope that their request for the amendment outlined will receive your favorable consideration.

Attached hereto on page 3 is the list of cooperating churches of the National Council of Churches.

(The page referred to follows:)

The National Council of the Churches of Christ in the United States of America is composed of the following denominations:

African Methodist Episcopal Church
African Methodist Episcopal Zion Church
American Baptist Convention
American Evangelical Lutheran Church
Augustana Evangelical Lutheran Church
Church of the Brethren
Colored Methodist Episcopal Church
Congregational Christian Churches
Disciples of Christ, International Convention
Evangelical and Reformed Church
Evangelical United Brethren Church
Evangelical Unity of the Czech-Moravian Brethren of North America
Greek Archdiocese of North and South America
Moravian Church in America (Unitas Fratrum)
National Baptist Convention of America
National Baptist Convention, United States of America, Inc.
Presbyterian Church in the United States
Presbyterian Church in the United States of America
Protestant Episcopal Church
Reformed Church in America
Religious Society of Friends (5 years meeting)
Religious Society of Friends (Philadelphia and vicinity)
Romanian Orthodox Church
Seventh Day Baptist General Conference
Syrian Antiochian Orthodox Church
The Methodist Church
The Russian Orthodox Greek Catholic Church of North America
Ukrainian Orthodox Church of America
United Lutheran Church in America
United Presbyterian Church of North America

Dr. ASHBROOK. I wish to state further that included in the published record of hearings on H. R. 7199 before the House Committee on Ways and Means are statements submitted by the National Council of Churches, setting forth the views of the following religious denomina-

tions and church bodies, on the inclusion of ministers in the Federal old-age and survivors insurance program.

The statement of the National Council of Churches of Christ; and the American Baptist Convention; Southern Baptist Convention; Annual Conference of the Church of the Brethren; General Council of the Congregational Christian Churches; International Convention of Disciples of Christ; Annual Convention of the Evangelical Free Church of America; General Synod of the Evangelical and Reformed Church; American Lutheran Church Convention; Augustana Evangelical Lutheran Church; Danish Evangelical Lutheran Church of America; Evangelical Lutheran Church; Lutheran Church—Missouri Synod; Methodist Church; General Assembly of the Presbyterian Church in the United States of America; General Convention of the Protestant Episcopal Church; Annual Meeting of the American Unitarian Association; Rabbinical Council of America; Rabbinical Assembly of America; and New York Board of Rabbis.

Since the House committee hearings, there have been reported to the national council, additional statements by the Southern Baptist Convention and by the Romanian Orthodox Episcopate of America, which are as follows:

Southern Baptist convention

(1) It is our conviction that request should be made to the Senate Finance Committee for a social security bill covering ministers which would be least objectionable to our people and presenting fewer complications in the future. It should be a billing calling for a social security contract between the Federal Government and the individual without in any sense involving the churches.

(2) It is our further conviction that in the event the above is not provided, we would request a social-security bill with the provisions that both the ministers and employing organization should have elected coverage in order to effect or maintain participation.

The Romanian Orthodox Episcopate of America

From a letter from His Grace Bishop Valerian, February 17, 1954: "We are pleased to advise you that the Romanian Orthodox Episcopate of America is in favor of the voluntary inclusion of clergymen under the Federal social security. The extension of Federal social security to members of the clergy was endorsed by the clergy of our episcopate at its meeting on July 3, 1953."

Dr. ASHBROOK. May I, Senator, in conclusion, emphasize our major concern. Primarily it is two things: (1) Ministers shall have the opportunity for coverage under old-age and survivors insurance benefits of social security. (2) That that coverage shall be on a permissive, voluntary basis.

Those are our primary concerns. You could conceivably follow 1 of 2 methods in including it, but those we want clearly as our position.

Senator CARLSON. Well, Dr. Ashbrook, we appreciate very much this statement. It is going to be helpful to the committee.

As I understand it, you do want to get in a position where you will not be permitted to receive coverage of benefits under the old-age and survivors insurance benefit program and that you would prefer to have it voluntary.

Dr. ASHBROOK. Yes, sir.

Senator CARLSON. Do you happen to have with you the resolutions adopted at the Baptist Convention recently?

Dr. ASHBROOK. I do not have a copy with me. A resolution was passed by the American Baptist Convention in Minneapolis which

urged the inclusion of ministers under Social Security under some voluntary basis.

Senator CARLSON. I attended that convention and I do not remember the wording of the resolution. It is something similar to that adopted by the Southern Baptist Convention.

Dr. ASHBROOK. It is not as specific as that in setting out a first and second choice. The Southern Baptist Convention did that. We simply urged that ministers have this coverage on a voluntary basis without detailing how.

Senator CARLSON. Senator Long, any questions——

Senator LONG. No questions.

Senator CARLSON. Thank you very much for your appearance.

The next witness will be George A. Huggins of the Church Pensions Conference.

Mr. Huggins.

We are very happy to have you with us, Mr. Huggins.

Mr. HUGGINS. Thank you.

STATEMENT OF GEORGE A. HUGGINS, CHAIRMAN, SOCIAL SECURITY COMMITTEE, CHURCH PENSIONS CONFERENCE

Mr. HUGGINS. Mr. Chairman, I would like to ask for the privilege of reading a short statement and then add a few brief comments.

Senator CARLSON. You may proceed.

Mr. HUGGINS. My name is George A. Huggins. I am a consulting actuary from Philadelphia, Pa. I am here today representing the Church Pensions Conference as chairman of its committee on social security.

The Church Pension Conference is an organization—unincorporated—which, as its name implies, is a conference body. Through its functioning, information of interest and value is disseminated among its members and opportunities for conference are provided to persons interested in the administration and financing of ministerial pension systems as operated by the various denominational bodies.

This conference has held 39 annual meetings and a number of special meetings to consider matters of interest to its members. The religious bodies represented in the Church Pensions Conference are shown in the list appended to this statement.

The churches have always considered it a responsibility of theirs to make provision for their aged workers and for the families of deceased workers. During the early years of these church bodies the benefits paid were generally in the form of grants based upon need and rather meager in their amounts. However, in recent years great advances have been made through the establishment of pension systems financed generally on the contributory basis; that is, with the members paying a considerable share of the cost of the benefits and the churches or other religious agencies making required regular contributions, supplemented by voluntary contributions, gifts, bequests, income from endowments and so forth.

During the fiscal year ending in 1953, a total of some $25 million was paid out in benefits by the pension funds which make up the Church Pensions Conference. This money was distributed to some 44,000 beneficiaries so that while large in the aggregate amount of

benefits, the payments to the individual beneficiaries have not been as large as desired or as needed.

We are, therefore, here to say that as an organization, it seems to us that the time has arrived when the extension, with certain safeguards, of social-security coverage for ordained ministers should be made possible.

As a result of such coverage with the benefits provided through the ministerial pension plans supplemented by the OASI benefits, more adequate protection can be furnished to ordained ministers and their families than can be provided through either program alone.

In appearing before the Ways and Means Committee of the House on April 7, 1954, the representatives of the National Council of Churches and of the Church Pensions Conference through statements, which are included in the report of the Committee on Ways and Means, brought out the fact that, as expressed through the actions of the church bodies, the overwhelming sentiment of the churches favored the coverage of ordained ministers as self-employed, professional men, not compulsory.

In order to avoid all antiselection possible it was recommended that the provision for the voluntary participation of the individuals be made, subject to certain specified limits as to the period during which the individual should elect his coverage.

The Ways and Means Committee of the House did not see its way clear to approve the amendment which we requested. As a result the provision proposed for the coverage of ordained ministers is as now outlined in H. R. 9366 which has been described in the preceding statement by the representative of the National Council of Churches.

I am here, as spokesman for the Church Pensions Conference to state that since the amendment previously requested was not granted by the House, we are of the opinion that the situation thus created can be ameliorated to some extent by the approval of the amendment outlined just previously by the representative of the National Council of Churches.

Such an amendment would mean that an ordained man coming into the service of a church would not be compulsorily covered under social security just because that church had waived its exclusion and secured the concurrence of his predecessor in office.

This would take care of the ordained minister who might have conscientious scruples against the acceptance of such coverage.

The religious bodies represented in the Church Pensions Conference include the following:

1. American Baptist Convention
2. Southern Baptist Convention
3. Central Conference of American Rabbis (Reformed)
4. Christian Science Church
5. Church of the Brethren
6. Church of England in Canada
7. Church of God
8. Church of the Nazarene
9. Congregational Christian Churches
10. Disciples of Christ
11. Evangelical United Brethren Church
12. Evangelical and Reformed Church
13. General Church of the New Jerusalem
14. Greek Orthodox Ministers
15. American Lutheran Church

16. Augustana Lutheran Church
17. Evangelical Lutheran Church
18. The Lutheran Church-Missouri Synod
19. The United Lutheran Church in America
20. The Methodist Church
21. Free Methodist Church of North America
22. Presbyterian Church in Canada
23. Presbyterian Church in the United States
24. Presbyterian Church in the United States of America
25. United Presbyterian Church of North America
26. Protestant Episcopal Church
27. Rabbinical Assembly and United Synod of America (Conservative)
28. Reformed Church in America
29. United Church of Canada
30. Young Men's Christian Association
31. Young Women's Christian Association

The great number of them are those who are in the national council, but we have some churches represented there that are not represented in the national council.

Now, Mr. Chairman, Senate bill 3278, which was introduced by Mr. Hill and Mr. Eastland, Mr. Holland, Mr. Sparkman, and Mr. Long, covers the amendment that we asked of the Ways and Means Committee.

In other words, it provides for the coverage of self-employed along with other professional men on a voluntary basis.

Senator Long. Might I ask, with regard to that particular provision—I haven't looked at it recently, although I am one of the cosponsors of it—would that be all right from an actuarial point of view? I mean, so far as the self-employed are concerned and the ministers, from an actuarial point of view, would you get in the same amount of money by covering them in this fashion?

Mr. Huggins. There would be a slight element of what we call antiselection. In our request we suggested that that be eliminated almost entirely by providing that the ordained man must make his choice within a specified time following the passage of the bill, or become eligible through later ordination, and that period we suggested would be perhaps 2 years.

In this amendment that we request today, in case the self-employed provision does not go through, it has been said that there was an element of antiselection. At the same time it would be of very little effect because, first of all, the total number of ministers involved is small compared with the total number of workers who are covered under social security, and then you would have the percentage who would have some conscientious objection, and in order to come in later they would have to go in reverse as to their conscientious objection, and therefore we feel that this amendment we ask today, in case the self-employed does not go through, would have practically no antiselection that would affect the stability of the fund.

Senator Long. It seems to me we should not be too concerned if there is some slight cost above the cost of covering the average individual. After all, the largest single loophole that I know of in our tax laws was deliberately put there to permit exclusions of income for amounts given to charity and to churches. In view of the exemptions from the inheritance taxes and the gift taxes and the various other considerations in our income-tax laws, relating to gifts to churches and gifts to religious institutions, it would not seem to me

we should be too concerned if there was some slight deviation from complete principles of actuarial soundness, with regard to these ministers who do have special problems.

Mr. HUGGINS. Mr. Chairman, I am entirely in accord with the statement of the Senator. In our private pension funds we do have to guard against the antiselection, particularly where there is a provision for voluntary participation. But when you compare the relatively small number of persons involved here with the aggregate number of persons covered, the antiselection does not seem to be any serious problem at all.

Senator LONG. That is also true when you consider the fact that one of the very fundamental purposes of this Government is to guarantee freedom of religion.

Mr. HUGGINS. Yes, sir.

I would like to add one name, Mr. Chairman, to the list that was included in Mr. Ashbrook's statement of the actions of religious bodies that appeared in the report of hearings before the Committee on Ways and Means.

On page 310 of that volume is a letter from Mr. Eugene Butler, of the National Catholic Welfare Conference, urging the passage of the bill, including the coverage of ministers on the self-employed, voluntary basis, which would cause less problems in connection with the policy and practice of the Roman Catholic Church just as in the case of many of our Protestant bodies.

Senator CARLSON. We appreciate that additional information and the name will be added.

Mr. Huggins, we appreciate so much your statement here before us this morning. It has been very helpful.

STATEMENT OF ASA V. CALL, PRESIDENT, PACIFIC MUTUAL LIFE INSURANCE CO., ACCOMPANIED BY BEN KENDRICK

Senator CARLSON. The next witness is Mr. Asa V. Call, representing the American Life Convention and the Life Insurance Association of America.

Mr. CALL. I am accompanied by Ben Kendrick, research associate of the Life Insurance Association, who may be able to answer certain questions which may be asked.

Senator CARLSON. We are very happy to have Mr. Kendrick with us.

Mr. CALL. Mr. Chairman and members of the committee, my name is Asa V. Call. I am chairman of the Joint Committee on Social Security of the American Life Convention and the Life Insurance Association of America.

This statment concerning H. R. 9366 is submitted on behalf of the two organizations. Together they represent companies that underwrite over 96 percent of the life insurance in the United States.

We in the life-insurance business have been keenly interested in social security ever since its inception 20 years ago. In the past we have supported many sound changes to improve the social security system. We believe that H. R. 9366 contains the following desirable features which we hope will be adopted:

1. Extension of OASI coverage to approximately 10 million people not now covered;

2. The dropout provision under which 4 or 5 years of lowest earnings or no earnings would be eliminated in computing benefits;

3. The proposed liberalizations in the conversion table to the extent that they would, in effect, guarantee the dropout provision to be worth $5 a month to all old-age beneficiaries; and

4. The provisions to put the retirement test or work clause on a more flexible and equitable basis.

During the last year our business conducted a careful study and reappraisal of the social security system. Our conclusions are set forth in detail in a memorandum which I am filing with the request that it be made a part of the record as an appendix to my statement.

Senator CARLSON. Without objection, it will be filed as a part of your statement.

Mr. CALL. My statement here today will deal principally with provisions of the bill which are in conflict with conclusions developed in our studies.

PROPOSED INCREASE IN THE WAGE BASE TO $4,200 IS UNSOUND

We oppose this increase for the following reasons:

1. It departs from the "basic floor of protection" principle which has been widely accepted from the inception of the act.

2. It discriminates against the average wage earner.

3. It is urged on the basis of an entirely new theory which, if adopted, could lead to a system of national pensions.

4. It is not essential to the sound financing of the system.

5. The $4,200 wage base would be higher than the average earnings of employed people.

BASIC FLOOR OF PROTECTION PRINCIPLE SHOULD BE MAINTAINED

Our social security system was designed to provide a floor of protective benefits. While this floor should be high enough to accomplish the purpose of the system, it should not be so high as to tax the workers unnecessarily and thus reduce their ability to save. Moreover, too high a base with correspondingly high benefits would impair the worker's incentive to provide his own protection.

These concepts have been widely accepted. From the inception of OASI, Congress has been mindful of them. The President endorsed the floor of protection principle in his message on social security to Congress of January 14. The life-insurance business, too, has consistently held the view that the proper role for social security should be limited to providing basic protection. In our opinion raising the wage base to $4,200 violates this principle.

Any consideration of the proper floor-of-protection level should be concerned with the basic needs of the average worker, not the higher-than-average worker. Today, the average worker in regular employment earns approximately $3,600. Obviously, raising the wage base to $4,200 does not produce a more adequate floor of protection for the average worker. Persons with higher-than-average earnings are best able to look out for their own security.

BASE OF $4,200 DISCRIMINATES AGAINST THE AVERAGE WAGE EARNER

Raising the wage base to $4,200 would result in a special benefit to those earning about $3,600. If I may interrupt myself, we brought a chart which we used when we made our statement before the House Ways and Means Committee which shows how this $4,200 wage base works out. It has the wrong number of the bill on it, Senator, but it shows that the people at the high end, the high wage earners get the major portion of the benefits and the man who really ought to have them at the lower end of the chart, doesn't get what we consider to be a fair break.

(The chart referred to was entitled, "OASI Benefit Formula Increases for Aged Couples.")

Mr. CALL. Under the bill, these workers would get a double raise in benefits. First, they would receive the increase provided for the $3,600 worker under the proposed benefit formula.

Second, as a result of the increase in the wage base, the worker with earnings of more than $3,600 could receive an additional retirement benefit increase of as much as $10 per month, or $15 per month if he has a wife.

It is our view that the $3,600 worker would be more than adequately protected under the proposed new formula. After lengthy hearings in 1949 and 1950, Congress established the benefit amounts in the current law in 1950 and 1952. Cost of living statistics show no appreciable increase since 1952. Our studies led to the conclusion that the benefit levels Congress adopted in 1952 provided an adequate floor of protection. Present living costs do not support another increase at this time. If, however, benefits should be increased through a change in the formula, we see no sound basis for granting still another increase to the above-average worker who earns over $3,600.

If the basic-floor-of-protection concept is to be based on sound principle, Congress should not fix the level of the floor in relationship to higher-than-average wages. This is what the pending bill would do. Consequently, we believe that it strays from the basic-floor-of-protection principle and discriminates against lower income groups.

SOCIAL SECURITY SYSTEM SHOULD NOT BE CONVERTED TO A SYSTEM OF NATIONAL PENSIONS

The Secretary's testimony at the beginning of the hearings did not suggest that the proposed increase in the wage base was necessary to maintain a basic floor of protection. Instead, the testimony shifted over to a new theory. It was argued that "Because of the increase in the number of workers earning more than the creditable maximum, in more and more cases workers receive benefits that do not reflect their actual earnings loss upon retirement or death."

The new theory, as we understand it, is that OASI should be converted to a national pension plan.

Under this theory, benefits would rise above the basic floor of protection and would provide living conditions for the pensioner as though he were under a private pension plan.

More specifically, it was argued that the increase to $4,200 is necessary because wages have increased since 1950; that fewer workers are

paying taxes on their entire wages; and that the benefits most workers now receive on retirement represent a smaller proportion of actual earnings than they did in 1950.

We feel that these arguments do not afford sound reasons for increasing the wage base and that they depart from the basic principles underlying the Social Security Act.

This new theory for increasing the wage base to $4,200 was urged on the basis of statistics which show that currently a majority of male workers earn more than the present $3,600 base. The following table contains the statistics submitted to your committee by the Department of Health, Education, and Welfare showing the percentage of regularly employed male workers earning above the wage base. We have added the statistics in the right-hand column, giving corresponding percentages for all workers, which we believe, Senator, to be a fairer way of approaching the problem if you are going to approach it on a percentage basis.

Year	Wage base	Percentage of workers with earnings above base	
		Male	All workers [1]
		Percent	*Percent*
1950	$3,000	57	43
1951	3,600	48	36
1953	3,600	61	45
Proposed	4,200	43	31

[1] Approximated from chart following p. 38 in Secretary's testimony.

We submit that the statistics based solely on male workers do not provide suitable data for fixing the wage base. We firmly believe that such a statistical demonstration should be based on all workers, not just male workers. As the last column in the table shows, the percentage of all workers earning over the wage base has not gone above 45 percent during the period covered by the table. All workers on the average are earning less than the present wage base and we see no justification in increasing the base simply because the percentage is higher when limited to male workers.

It is also argued that the increase in the base is designed to maintain effectively the principle that benefits should reflect differences in individual earnings. Actually, H. R. 9366 would provide a range from $30 to $98.50 in monthly old-age benefits without an increase in the $3,600 figure. This range is greater than ever before.

The system is not moving toward flat benefits. The fact that there is some concentration of beneficiaries near the resent maximum is a proper reflection of the principle that benefits for those with higher-than-average earnings should not go above the top of the floor-of-protection range. It means that with greater prosperity more workers are qualifying for the maximum benefits. In our opinion, this is a desirable trend.

INCREASE IN WAGE BASE NOT ESSENTIAL TO SOUND FINANCING OF THE SYSTEM

Finally, it is contended that the higher base is needed to strengthen the financing of the system. The OASI system would make a small profit, so to speak, by covering earnings between $3,600 and $4,200. However, as shown by the chart following page 59 of the Secretary's testimony, the decrease in the net level-premium cost of OASI, as a percent of taxable payroll, would be only 0.15 percent. This is an almost negligible percentage, particularly since the future cost of the system cannot be accurately predicted. Certainly, the financing argument is not a sound reason for raising the wage base.

WAGE BASE SHOULD NOT EXCEED THE AVERAGE EARNINGS OF EMPLOYED PEOPLE

Since the inception of OASI, the principle underlying the wage base has been uncertain. I think you might almost say, sir, there hasn't been any set principle about it. No sound principle is advanced in support of the proposed increase to $4,200. In our view, the wage base should reflect a principle which could serve as a guide in the future. With a sound principle underlying it, the wage base would be removed from constant controversy.

As a principle, we recommend that the wage base be maintained at a figure approximately equal to the average earnings of regularly employed people. On this principle, increases in the $3,600 figure may be needed in the future, but no increase is called for now because average wages are approximately $3,600.

We believe the principle we propose is sound and will stand the test of time. It is readily understandable. A system designed to provide basic protection should not take account of higher-than-average earnings in determining benefits. The individual's responsibility to protect himself and his family against the loss of that part of his earnings in excess of average earnings should be met by voluntary action and initiative.

We believe the wage-base issue in 1954 is a crucial one. Past liberalizations in OASI have roughly served to offset the effects of inflation. But whether or not the wage base is retained at $3,600 this year may determine whether the system is maintained as a social program, furnishing a basic floor of protection, or whether it becomes a national pension plan.

Senator CARLSON. Before you leave that point, Mr. Call, I notice in your statement you state that the $3,600 figure is sufficient at the present time but in the future you feel there might be a need for an increase; is that right?

Mr. CALL. That is correct.

Senator CARLSON. That is one of the problems that is going to confront not only this committee but this Congress, with millions of people who are covered and who are beneficiaries, I think we have an obligation to look forward to the future as far as we can anticipate, on an actuarial basis, and that is one of the problems I think that this committee must meet, and so I appreciate your statement.

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Do you have any estimate as to when that increase might be necessary?

Mr. CALL. Well, to a great degree that depends upon our national economy. The average wage has moved up in this country since, let's say since I was a boy, or before.

I anticipate that the average wage will move further up. If we have an economic collapse of some kind, it might be that it will remain static. I doubt that it will move down much.

If the cost of living goes down the wage base might go down and no harm would be done. But if the Congress would accept this as a principle, that you tie the wage base to the average wage of all workers, you have hung it onto something that you could stand on and that the country can stand on. You can look at it from time to time, determine the average wage, and then if you have to raise the level $100 or $200 or $300 at some other date you can do it. Otherwise it is merely a matter of opinion as to what is the wage base. We find that from the various groups who have testified here before.

Senator CARLSON. I appreciate that statement. As I say we started in with a $3,000 level and stepped it up to $3,600 and on the basis of receipts and expenditures I understand we are operating at a level base now, that receipts and expenditures are holding their own but looking forward to about 1960, I presume, you believe it was testified by Mrs. Hobby or her staff that if no provision or increase is made, by that date we would be in danger of reducing the reserves.

Mr. CALL. It is my recollection that as of now with the 4 percent total contribution, 2 percent from the employer and 2 percent from the employee, that the Government is collecting about $5 billion a year and spending about $3.5 billion. At the present time, the fund is being augmented, sir.

Senator CARLSON. Present benefits.

Mr. CALL. Yes, sir.

We think it will catch up with itself by about 1959 or 1960 and at that time, the increased tax rate already provided in the law will be needed.

Senator CARLSON. I am certain of this, that in your position you are in a better position to test this than I am, but it is one of the problems that confronts us.

Mr. CALL. As a matter of fact, we in the life-insurance business believe that the fund itself is sufficient for proper functioning purposes. It ought to be used as a kind of contingent reserve and the rate should be adjusted periodically to meet the demands that are called for under the social plan. That could be done by formula and the responsibility perhaps delegated to the Secretary of Health, Education, and Welfare.

We recommend that for your consideration, also.

Senator CARLSON. It is a good suggestion.

Mr. CALL. I will now go to the disability "freeze" proposal.

The intent of the disability "freeze" provisions in H. R. 9366 is to maintain the benefit expectancies of persons regularly attached to the OASI system during periods of total disability lasting more than 6 months. We believe that this is a desirable objective, but we do not favor the method proposed in the bill to achieve it.

We know from experience that the medical adjudication of total disability claims is administratively expensive and often results in

disagreements and other difficulties that would be particularly undesirable in the Federal OASI system. To make medical certifications a feature would represent a radical innovation in the present OASI system. As constituted, OASI does not require consideration of issues about which there can be great uncertainty and controversy.

To protect benefit expectancies during disability, it is not necessary to adjudicate individual cases. Through an adaptation of the dropout provisions that are already in the bill, disability which impairs earnings or actually makes them impossible, can be recognized by permitting a dropout of the years of these low or no earnings.

Actually, the bill's 4 and 5 year dropout periods are long enough to provide substantial relief in most cases of disability. Insurance experience shows that only about one-third of those disabled for 6 months are still disabled 4 years later.

We feel that the dropout provisions of the bill will protect benefit expectancies in most disability cases. However, if it is deemed desirable, such protection could be further extended by a liberalization of the dropout principle. For example, the individual might be granted a dropout of either 5 years or one-fourth of his period of potential coverage, whichever is the more favorable.

If the dropout provisions of H. R. 9366 are modified along these lines, they will provide substantial help for all the disabled, except for the rare cases of disability extending over a major proportion of the individual's working lifetime. In such cases, where the individual had only a short period of covered employment before the onset of permanent and total disability, it would hardly be meaningful to commence paying old-age benefits, decades later, based on a long dormant earnings record.

In short, we believe the medical adjudication approach of the bill is unnecessary and undesirable. The automatic dropout provisions, possibly expanded as suggested, represent an alternative that is adequate, simple, and easy to administer.

In conclusion we feel that in large part, H. R. 9366 is a constructive measure that will increase the effectiveness of the OASI system in providing basic security for the American people. However, the bill departs from sound principles in certain respects which we have stressed.

Unless corrected, these unsound features of the bill are likely to cause serious and increasing difficulties for the future. The statement I am filing makes a number of additional suggestions which we hope your committee will also consider.

We thank the committee for the opportunity of presenting these views. I will be glad to answer any questions that I can, or to file any supplementary material you may wish.

Senator CARLSON. Mr. Call, we appreciate very much your statement. I know it is going to be helpful in determining the final language of this bill before it is reported to the Senate for consideration. I am sure you agree with the acting chairman that there are some problems in this legislation.

Mr. CALL. I certainly do.

(The appendix referred by Mr. Call earlier follows:)

APPENDIX

LIFE-INSURANCE REPORT ON SOCIAL SECURITY[1]

Having a social-security structure that is sound and well-balanced is of immense importance to the Nation generally and to life-insurance policyholders in particular. With this thought in mind, and with the assistance of a number of subcommittees, the joint committee has been engaged throughout most of this year in developing and clarifying the viewpoint of the life-insurance business on current issues in social security. The undertaking has now been completed, and this report presents the resulting recommendations.

At present, the United States follows a dual approach to social security: There is first the Federal old-age and survivors insurance system (OASI); while supplementing it are four Federal-State public-assistance (or means-test) programs. Of the latter, old-age assistance (OAA) is by far the most important and most costly.

The committee has carefully weighed the present dual approach to social security against two alternative approaches—

1. A Federal system of paying a uniform benefit to every nonemployed person beyond a specified retirement age;
2. A Federal system of making monthly payments to the aged on an exclusive means-test basis.

Under either of these alternative approaches, the Federal grants to States for OAA would be discontinued.

The committee reached the conclusion that a changeover from the present approach—which has been followed for more than 15 years—to either of these alternatives would be quite impractical. Indeed, the committee is not convinced that either a flat-benefit system or a means-test system would be preferable to the present approach, even if the Nation were adopting a social-security program for the first time. Consequently, the recommendations in this report relate to the existing dual approach to social security.

In the United States, the various social-security laws have been broadened again and again. Undoubtedly, vigorous future efforts to further liberalize and expand social security in this country will be made. Should they succeed, overliberalization and overexpansion of the system could well result, and might be carried to a point decidedly harmful to the American economy and the national character in general, and to voluntary insurance in particular.

Proposals to amend social security should be tested in terms of the concept that benefits should not go beyond what is needed to furnish a basic floor of protection against want. This concept, however, is not inconsistent with the principle of benefits varying within limits so as to bear some relationship to the individual's previous average earnings.

DISCUSSION OF RECOMMENDATIONS

This section explains and discusses the committee's concrete recommendations for change in the Federal social-security legislation.

1. OASI coverage extension

From the inception of OASI, it has been contemplated that the system will ultimately cover everyone. The efficiency of the system is impaired if large numbers of persons are continually moving in and out of coverage as they change from job to job.

Over the years OASI coverage has been extended to additional groups from time to time. However, large areas of employment and self-employment still remain outside the system. As a matter of principle, the committee believes the system's coverage should be extended to all employment and self-employment remaining excluded. Nevertheless, it must be recognized that at no time has OASI coverage been broadened by Congress to take in any group against the wishes of the group.

2. OASI financing

The committee favors the incorporation in the OASI legislation of an automatic tax-rate formula designed to maintain the OASI trust fund at about its present level. As for the desirability of this general aim, the main point is that

[1] Condensation of report by Joint Committee on Social Security presented to the governing bodies of the American Life Convention and the Life Insurance Association of America, November 27, 1953, and approved by them.

further increase in the trust fund would accomplish no useful purpose. The fund is already more than adequate as a contingency reserve. However, a full actuarial reserve would call for over $200 billion in the fund at this time.

A suitable amendment to accomplish the committee's objective could be drawn up in a variety of ways. However, the central idea of such an amendment should be to provide a formula under which the OASI tax rates would automatically go up or down by small increments when and to the extent necessary to equalize OASI income and outgo.

3. Discontinuance of OASI lump sums

At present under OASI, a lump sum ranging up to $255 is paid whenever a person "insured" by the program dies. The provisions under which the lump sums are payable are traceable to an unsound money-back concept in the original Social Security Act, which has no proper place in the program. In the committee's opinion, the lump-sum provisions should be repealed.

A very large proportion of those covered by OASI make provision for their funeral and other expenses of death through private, voluntary action in a great variety of ways, such as savings accounts, Government bond purchases, and life-insurance policies, both individual and group. Any effort on the part of Government to provide for a contingency which can so effectively be met by individual and group efforts is unnecessary and diverts funds from the primary purposes of OASI.

4. Noncoverage under OASI due to disability, unemployment, or other cause

Under the present OASI method of determining the individual's average monthly wage, periods of noncoverage and of especially low earnings are taken into account along with periods of regular coverage and earnings. As a result the average monthly wage is depressed, and the benefits payable are correspondingly reduced in amount. Probably the chief reasons for such periods of low earnings or noncoverage are disability, unemployment, and employment in a job prior to an extension of OASI coverage to that job.

The committee believes it would be reasonable and desirable to exclude a limited period of low earnings or noncoverage from the average monthly wage computation. To do so would avoid penalizing many persons because of circumstances beyond their control, and hence would remove a cause of persistent dissatisfaction. There is a wide range of possibilities for framing a specific amendment that would solve the problem satisfactorily.

5. Work-clause amendments

In the original Social Security Act, the OASI work clause operated to prevent the payment of the monthly benefit for any month in which the beneficiary or wage earner earned over $14.99 in employment covered by the system. By subsequent amendment the figure of $14.99 was increased to $50, and then to the present figure of $75. A similar work clause—but based on an annual figure of $900—applies to self-employment. Neither work clause applies to earnings not covered by OASI.

The committee believes that some work clause—serving as a test of retirement on which benefits are conditioned—should certainly be retained in the OASI system. Among other reasons, a work clause is essential to avoid the huge costs—increasing year by year—that would come from paying unneeded benefits to millions of persons with regular earnings.

The committee realizes that the operation of the present work clause probably occasions more dissatisfaction than any other single aspect of the OASI system. It penalizes the individual with covered earnings slightly over the permitted amount by denying him benefits of much greater value, while another individual with earnings not covered by the system is not penalized at all regardless of the amount of his earnings. It consequently seems essential that the work clause be placed on a more equitable basis.

(*a*) *Applying work clause to all employment and self-employment.*—As a first step to improve the work clause, the committee recommends that it be made applicable to all employment and self-employment, both inside and outside the United States, rather than just to that which is covered by the system. Taking this step is a necessity if the work clause is to carry out its basic purpose.

(*b*) *Putting work clause on a sliding-scale basis.*—As a second work-clause amendment, the committee recommends that the work clause be placed on a sliding-scale basis to provide a gradual decrease in benefits as earnings increase beyond the permitted amount. In this way, the present abrupt denial of the

benefit, once the individual's earnings for the month exceed the fixed limit, however slightly, could be avoided. Moreover, the sliding scale could be so adjusted that the individual would have some incentive to increase his earnings as much as possible.

It is not essential that a sliding-scale work clause be on a monthly basis. There is much to be said for having only one work clause, operating on an annual basis, which would apply alike to the employed and the self-employed. Changing to such a work clause would correct the present discrimination between the two groups.

To illustrate an annual sliding-scale work clause: The first $900 of the individual's annual earnings would not operate to reduce his benefits for the year. Then, for each $100, or portion thereof, by which the individual's annual earnings exceed $900, he would lose 1 month's benefit. On this basis, the individual could earn up to $2,000 before all his benefits for the year would be withheld. In case a retired wage earner and his wife were both drawing benefits, the wife's benefit would be suspended for any month in which the husband's benefit was suspended. For such situations, it might be desirable to provide a sliding scale based on steps somewhat larger than the $100 mentioned above.

6. Section 702 not needed; OASI not insurance

For many years the Federal social-security agencies have been issuing annual reports and other documents that urge the expansion of the OASI system. There may be some basis for such activity in section 702 of the amended Social Security Act which assigns to the administering officials "the duty of studying and making recommendations as to the most effective methods of providing economic security through social insurance, and as to legislation and matters of administrative policy. * * *"

All Federal authorities should, of course, study and review their operations from time to time in the interest of efficiency and economy. However, specific legislation is surely unnecessary to authorize studies of this sort, as they are an inherent part of any administrative job. Consequently, because section 702 is taken to authorize various propaganda activities and is unnecessary for any of its valid objectives, the committee recommends its deletion from the act.

The continual official references to OASI as an insurance program have a legal foundation in the repeated use of that word in the OASI provisions of the act. However, use of the word "insurance" brings to mind the operations of private insurance companies, and leads people to think their payroll taxes are premiums which pay for their own future benefits. This erroneous view then leads on to various other confused notions. One is that the work clause should be abolished because it "deprives people of insurance benefits they have paid for." Another misconception is that Congress has no right to curtail or eliminate any benefit provided in the existing legislation. The committee therefore recommends that the word "insurance" be deleted from the OASI parts of the act wherever it occurs.

7. Discontinuance of Federal OAA grants

The committee believes the States should assume full responsibility for their OAA programs; they should have completed control over the administration of them; and they should bear the full costs, with the Federal OAA grants being terminated. However, as a practical matter, the complete and sudden withdrawal of the Federal Government from OAA would present most States with a difficult budgetary problem. The committee consequently recommends that the Federal grants be discontinued gradually.

(*a*) *Progressively reducing the Federal matching percentages.*—Specifically, the committee recommends the incorporation in the Federal OAA legislation of a sliding scale which would gradually reduce the Federal matching percentage over a period of years.

At present, the Federal OAA grant legislation offers (*a*) $4 to the State for each $1 the State puts up, up to a combined total of $25 per month per recipient, plus (*b*) $1 for each additional $1 the State puts up, up to a combined total of $55 for any recipient for any month. In other words, the (*a*) clause of the Federal grant formula offers 80 percent matching, while the (*b*) clause offers 50 percent matching.

As an illustration, the OAA grant formula might be placed on a sliding-scale basis as follows:

During the years—	The Federal matching percentage shall be—	
	Under the (a) clause	Under the (b) clause
	Percent	*Percent*
Through 1954	80	50
1955-57	70	50
1958-60	60	50
1961-63	50	50
1964-66	45	45
1967-69[1]	40	40

[1] And so on.

A sliding scale along the above lines could be constructed to integrate with the anticipated expansion of the OASI rolls, so that no sudden or greatly increased burden would be placed on the States.

(*b*) *Returning to the 1950 grant formula.*—The existing 1952 grant formula is scheduled to expire in September 1954 under existing legislation. At that time the 1950 grant formula[2] will again become effective.

Pending the incorporation of a sliding-scale grant formula in the Federal OAA legislation, the committee recommends a return to the 1950 formula. This step might be effectuated either by permitting the 1952 legislation to expire, as present law provides, or by restricting any extension of the present temporary formula to the shortest possible duration.

8. Technical amendments in OAA grant formula

The existing Federal grant legislation for OAA gives States an undesirable incentive to add additional recipients to the rolls at relatively low monthly payment amounts. Also, States may at present supplement OASI benefits with OAA payments and receive Federal reimbursement just as though the OASI benefits were not payable. These provisions are open to abuse.

The committee believes that, as long as any Federal OAA grants are made to States, the Federal legislation should be amended so as to assure that States will not be encouraged to make excessive or unneeded payments. To this end, the committee recommends two technical amendments.

(*a*) *Computing grants on an individual-recipient basis.*—The committee's first technical amendment calls for the Federal OAA grants to be computed on an individual-recipient basis.

At present, the OAA grants are computed on an averaging basis. When low-payment recipients are added to the rolls, the average payment per recipient in the State is reduced. Hence, a larger proportion of total payments to recipients comes within the $4 to $1 Federal matching clause, with a lesser proportion within the $1 to $1 matching clause. Because of these facts a State, by increasing the number of recipients on its assistance rolls, can increase the aggregate monthly amount paid to recipients, and yet reduce its own expenditures. Under existing law, the Federal grants must automatically make good the difference. It is unsound for Federal law to provide such an opportunity.

The amendment proposed by the committee calls for (*a*) computing the Federal grant (at the $4 to $1 and $1 to $1 ratios) with respect to each individual recipient, and (*b*) totaling the resulting figures. Under this proposal, additional recipients could not be added to the assistance rolls without some increase in the State's own expenditures.

(*b*) *Offsetting OAA grants against OASI benefits.*—As its second technical amendment, the committee recommends that a separate OAA grant formula apply to recipients who are simultaneously drawing OASI benefits. Federal grants with respect to those who are drawing OASI benefits, should be set at a level taking account of such benefits. It should be emphasized that for many years to come OASI benefits will be largely gratuitous, and hence may reasonably be offset against the Federal OAA grants.

As an example of what the committee has in mind, the OAA grant provision applying to OASI beneficiaries might simply offer equal matching, with the Federal share not to exceed $15 a month for each such person. An amendment

[2] Under the 1950 formula, the (A) clause provided 75 percent matching up to $20, and the (B) clause provided 50 percent matching up to a combined total of $50.

to this effect passed the Senate in 1950, but was eliminated in the Senate-House conference committee on the then-pending bill, H. R. 6000.

DISCUSSION OF PROPOSALS NOT RECOMMENDED

This section explains and discusses proposals which the committee considers unsound or otherwise undesirable.

1. Adding new OASI benefit types

In the committee's opinion, no new types of benefit should be added to OASI. In particular, the committee believes that cash benefits for permanent and total disability and disability "freeze" benefits would be undesirable.

(*a*) *Permanent and total disability.*—The life insurance business on a number of occasions has counseled against the addition of so-called permanent and total disability benefits to the OASI system. The cost of such benefits would be high and unpredictable. In case of depression, they would tend to become unemployment benefits for persons with physical impairments. Moreover, a Government system would have great difficulty in maintaining uniform and proper standards in adjudicating disability.

Actually, recovery and rehabilitation should be the primary objectives in dealing with disability; and the disabled individual should have adequate motivation to seek to restore his earning capacity. The presence of cash benefits available as a matter of right can seriously weaken such motivation, particularly when the benefits are payable for relatively long periods of time.

State public-assistance programs afford the best means of protecting the disabled against want. Payments based on a means-test are more flexible than payments based on right, and can be effectively harmonized with a rehabilitation program.

(*b*) *Disability "freeze" benefits.*—The idea that persons with OASI coverage should have what amounts to a "freeze" of their benefit expectancies during periods of disability has been repeatedly advocated in recent years. As a matter of fact, a temporary and inoperative provision of this sort was incorporated in the Social Security Amendments of 1952.

In the committee's opinion, there is no valid reason why OASI benefits should be protected against noncoverage due to disability any more than against noncoverage due to unemployment or other reaosns. The broader objective of protecting against limited periods of low earnings or noncoverage regardless of the reason is reflected in the committee's positive recommendation No. 4.

It may be added that a disability "freeze" provision would necessarily require the creation of administrative machinery for adjudicating the fact of disability. The cost of maintaining such machinery would be large compared to the value of the benefits provided through it. And the existence of the machinery would be a direct argument for cash disability benefits.

2. Increasing the amount of the present OASI work-clause base

As indicated in the earlier discussion of the OASI work clause, the committee opposes all of the numerous proposals to increase the monthly work-clause base from $75 monthly (or $900 annually) to some higher amount, although it favors such liberalization of the work clause as may be involved in placing it on a sliding-scale basis.

3. Increasing the $3,600 OASI tax and benefit base

The original annual wage limit of $3,000 for tax and benefit purposes under OASI was increased to $3,600 by the 1950 amendments, and recurrent proposals are made to increase this limit again. The committee is particularly opposed to all such proposals.

To increase the $3,600 limit would not add to the benefits of persons earning $3,600 a year or less, and hence would be of little value in serving to provide a basic floor of protection. The increased benefits would go only to persons earning more than $3,600—with annual earnings up to $10,000, $25,000, or even higher. Repeatedly increasing the tax and benefit limit would tend to convert OASI into a sort of national pension plan, which would gradually replace voluntary pension plans and other forms of personal savings.

4. Increasing the OASI benefit level

The central question about benefits, of course, is what should the benefit level be? As mentioned, the committee believes that benefits should not go beyond what is needed to furnish a basic floor of protection against want. More spe-

cifically, the committee believes that benefits, as determined under the existing benefit formula, are adequate to provide such a basic floor.

5. Further liberalizing of the Federal OAA grant formula

The earlier discussion of public-assistance recommendations makes it clear that, in the committee's opinion, there is no need whatever for any further liberalization in the Federal provisions governing grants to States for OAA. The committee recommends that all such proposals be opposed.

CONCLUSION

The committee has sought to take a long-range viewpoint in arriving at its recommendations. Nevertheless, they will need to be reexamined from time to time. Changing economic conditions, changing public attitudes, and modifications made in the social-security legislation itself, are among the factors making reexaminations necessary.

The committee hopes that life-insurance leaders will continue to devote their attention to the subject of social security and will participate in future reexaminations. Having a sound, well-balanced social-security structure is of immense importance to the Nation generally and to life-insurance policyholders in particular.

Senator CARLSON. The next witness will be Mr. Albert C. Adams, chairman, committee on social security of the National Association of Life Underwriters.

STATEMENT OF ALBERT C. ADAMS, CHAIRMAN, COMMITTEE ON SOCIAL SECURITY, NATIONAL ASSOCIATION OF LIFE UNDERWRITERS

Mr. ADAMS. I am Albert C. Adams, of Philadelphia, chairman of the committee on social security of the National Association of Life Underwriters, representing a membership of nearly 60,000 life-insurance agents in this country.

On behalf of our entire membership, I wish to acknowledge our appreciation for this opportunity to present to your committee our views regarding the administration's social-security bill, H. R. 9366.

In your deliberations on this important bill, we ask that you give careful consideration to the position of the life underwriters in America. We feel that we are entitled to this consideration because of our record.

We call at hundreds of thousands of homes, offices, shops, and business establishments each week to sell life insurance, collect premiums, service existing policies, and arrange for loans to policyholders and for the payment of death claims. Collectively, the life underwriters of the country serve 90 million policyholders and their dependents. We perform a service vital to the people and essential to the growth and progress of our country.

We believe that we have a right to live.

The millions of premium dollars that we collect and turn over to our companies become part of vast funds which, after payment of contractual benefits to policyholders and their dependents and those expenses necessary for operation, flow back into the Nation's economic bloodstream in the form of mortgages, both farm and city; railroad, utility, and industrial securities; and, equally important, obligations of the Federal, State, and local governments. You gentlemen are well aware, I am sure, of the fundamental part that these funds play in the life of the community and of the need for their continued flow

to finance the growth of the Nation's industry, provide jobs, create taxable income and property, and assure the continued expansion of our economy.

The sale of life insurance and the collection of the premiums paid by our policyholders thus comprise a basic operation for the creation of vital industrial and job opportunities in this country, while at the same time guaranteeing to individual purchasers that they and their families will have security against the hazards of premature death of the breadwinner and the economic ravages of old age.

This flow of money also creates a cushion for our policyholders against temporary financial embarrassment because they are able to borrow—with no questions asked—their share of the fund which they have created, to be restored by them at their convenience. Many homes and businesses have been saved by timely policy loans when no other form of credit was open to the borrowers, as is usually the case in life's financial crises.

I am confident that all of you gentlemen have observed the benefits of life insurance. I am sure that you all know of cases where it has financed an education, saved a home, or been used as a basis for business credit, as it has for countless people. We hope that this direct statement will increase your appreciation of our business and the agent's place in it, and will result in your sympathetic consideration of the great concern over the threat to our future, and to the future of our business and our country, which we see in the bill now under study.

People will not be inclined to buy security from us if the Government appears to give it away in larger amounts, at today's low tax. This unnecessary competition constitutes a clear invasion of the market for private life insurance. In this connection, we particularly call attention to the fact that the biggest increases proposed by H. R. 9366 would go to people in the highest earnings classification. These people have the financial ability and have demonstrated willingness, by their purchases of life insurance, to take over for themselves where social security should leave off—at the minimum needs level. There is absolutely no need for the Federal Government to invade this market.

Furthermore, the liberalization of these top benefits will make it increasingly difficult for the new agent to gain a foothold in our business. The problems in this phase of the business are already at an all-time high.

It has not been possible to expand the sales force enough in recent years to prevent a decline in the percentage of the consumer's dollars going into life insurance.

For example, we note that the proportion of total money income put into life insurance decreased from 3.8 percent in 1949 to 3.5 percent in 1952. This decline parallels the 1950 and 1952 liberalizations of social security benefits.

The continuation of this trend for another generation will mean that only those presently established agents writing larger amounts of life insurance will remain in our business. Production will fall off and the attrition of old business by death, maturity, and surrender will lead to the gradual liquidation of the life-insurance companies.

We can see no other result if social security benefits are raised as each Congress competes with its predecessor, whereby increased liberality becomes the test of its interest in the public welfare.

What it will do to the people and to the country we can only surmise, but we know that eventually the program is going to be very costly because it is impossible to provide the substantial benefits promised for mere token taxpayments. Moreover, with ever-increasing thrift required by law, by means of a tax on payroll instead of through individual initiative, we believe that the effect on the life insurance business which we have just outlined will follow as a matter of course.

We have seen benefits raised substantially in 1950 and again in 1952, and we are now faced with this bill calling for even more substantial benefit increases. Can life insurance continue to live if this accelerating trend continues? We question, very seriously, that it can.

With present benefit commitments of the OASI program already greater than the total of all life insurance in force, a substantial portion of our market has already been absorbed. The proposed increases would cut off another large segment, and we cannot help but wonder where it will all end.

To whom can we sell security if the Government makes everyone secure? Will life insurance be able to retain its field personnel and to fill the gaps caused by normal turnover, retirements, and deaths? These are serious questions. We see no satisfactory answer to them unless a halt is called to this practice of increasing social security benefits every election year.

We should like to add that if the idea were to become accepted that OASI is as good as life insurance and that it can be provided at a lower cost, we believe that the citizens of this country would be victims of a superstition that has no basis in fact.

The increased benefits that you are now considering may, according to Government experts, eventually cost as much as 11.46 percent of payroll, or $27.6 billion a year, provided there are no further increases. This estimate, by the way, is based upon the assumption of a continuing high employment level. A decline in employment would, of course, increase the indicated cost even further.

Obviously, if this comes to pass, the payment of these benefits will have to be based on the uncertain premise that Congress will be willing to vote the necessary, but always unpopular, tax increases and that the public will be able and willing to pay them on top of Federal, State, and local income, property, wage, and sales taxes.

Thus, there exists an atmosphere of uncertainty that advises extreme caution in the assumption of commitments difficult of fulfillment, which stands in sharp contrast to the demonstrated performance of life insurance for more than a century.

We do not believe that it would justify the irreparable damage which the bill would cause to the life-insurance industry. Would it not be wiser to coordinate social security with life insurance than to have social security destroy our business?

If benefits are to be increased at this time, we recommend that the increases be made only at the lower end of the wage scale where the need is obvious and where the ability to make personal provision for security is limited. The merit of this recommendation if self-evident, and we strongly urge its adoption.

In coming before you today, gentlemen, we ask no special favor, no subsidy, no taxpayers' money. We ask nothing from the American people but the right to serve their best interests for the long run. For ourselves we ask only the right to live.

May we urge you to hold the line and to attempt only those measures which are economically feasible for our Government and good for the free-enterprise system which has given America its vitality, integrity, and stability.

To a man, our organization will fight to protect our American way of life. By the same token we will oppose any program which is inflationary in character or financially unsound in its implications.

Senator CARLSON. Mr. Adams, we appreciate very much your statement to the committee.

Our next witness is Mr. Howard C. Raether, National Funeral Directors Association.

STATEMENT OF HOWARD C. RAETHER, EXECUTIVE SECRETARY, NATIONAL FUNERAL DIRECTORS ASSOCIATION OF THE UNITED STATES, INC.

Mr. RAETHER. I wonder if I might bring up with me our general counsel, Mr. Clark and our immediate past president Mr. Donaldson?

Senator CARLSON. You certainly may. Identify them for the record.

Mr. RAETHER. W. B. Donaldson, Jr., of Tifton, Ga., and James R. Clark, Cincinnati, Ohio.

The National Funeral Directors Association of the United States, Inc., was organized in 1882. As of June 15, 1954, this organization had 12,522 members. These members are primarily owners and operators of funeral establishments located in every state of the Union and in the District of Columbia. They are truly representative of what is commonly known as the small business or professional man of America and they do an estimated 85 percent of the funeral service annually.

Each year the members of NFDA take care of the funerals of more than 1 million Americans. As counselor to the bereaved families the funeral director must advise them on many of the problems which arise at the time of death. One of these is the matter of social-security benefits.

Each day funeral directors throughout the Nation have an opportunity to observe the reactions to and benefits of lump-sum death payments under the law and it is in regard to this subject that we wish to submit the following statement.

The basic philosophy and social planning under the social security program is, as we understand it, to provide security for the workers of the Nation when they reach an age when it will be difficult, if not impossible, for them to provide security for themselves from their current earnings. It also, subsequently, is to provide a measure of security for their dependents if death should strike them in their earlier years.

Under any plan of this nature, it is impossible to ignore the fact that death is the natural end of man. Oftentimes last illness and death creates a financial problem. Therefore, the National Funeral

Directors Association believes that as a part of the social security program there should be maintained a lump-sum death payment.

As the committee realizes there are individuals covered by the present act, who, having no dependents, will die without survivors and will receive no social security benefits except the lump-sum death payment reimbursing the person who paid funeral expenses.

Under the provisions of H. R. 9366, the lump-sum death payment will continue to be computed as under the present law. It is three times the primary insurance amount, but the maximum amount provided under the present law, $255, would be retained as the maximum amount under the new bill, despite the fact that this would destroy the workings of the formula. If a ceiling were not established the maximum would be $325.50 under the schedule of the new act.

We respectfully submit there is no sound or reasonable argument supporting the limitation only on lump-sum death payments beyond those already placed on primary benefits. In other words we feel that as primary benefits are raised, lump-sum benefits should be increased.

Human nature being what it is there are many persons who contribute and are covered by the act who will die with or without survivors who know of this payment and are relying on it to help take care of the expenses of their last illness and death.

This is doubly true under present economic conditions. We know the committee is aware that this payment is not sufficient to meet all contingencies that arise with last illness and death. Therefore, industrial or other life-insurance benefits are essential.

It is our considered opinion that the formula for the lump-sum death payment should be three times the primary benefit as under the present law without the maximum set forth in H. R 9366. To place a limitation only on certain lump-sum death payments is unfair and discriminatory and destroys the workings of a formula in existence many years.

In conclusion we feel, gentleman, that it is unfair to have all benefits increased except certain lump-sum death payments in spite of the increase in the premiums paid by the persons covered.

Senator CARLSON. Mr. Raether, I think you made a very good point there and brought up something that we shall give consideration to.

I notice that under H. R. 9366 that the funeral directors would be covered on a compulsory basis effective in January 1955. Now, I want to ask you, are the funeral directors in favor of the provision in the bill as passed by the House which would include self-employed funeral directors on a compulsory basis?

Mr. RAETHER. Senator Carlson, as a result of a resolution passed at our most recent national convention held in October 1953, we surveyed our entire membership and a majority of the self-employed funeral directors who replied were in favor of social-security coverage.

Senator CARLSON. We thank you very much for that information.

Mr. RAETHER. Thank you.

Senator CARLSON. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:02 p. m., the committeee recessed to reconvene at 10 a. m., Friday, July 2, 1954.)

SOCIAL SECURITY AMENDMENTS OF 1954

FRIDAY, JULY 2, 1954

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

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10 a. m., Senator Frank Carlson, presiding.

Present: Senator Carlson.

Senator CARLSON. The committee will come to order.

This morning we are somewhat upset in our attendance at the committee for two reasons. One was because of the death of one of our distinguished members, Senator Butler, of Nebraska; and, secondly, the Senate convenes at 10 o'clock for consideration of the tax bill or adjournment, I am not certain which, so the folks have gone over.

I have been requested by the chairman to receive the testimony of those whose names appear on the calendar, in order that we may keep the calendar current.

This morning we are pleased to have as our first witness, Dr. Francis E. Townsend, president of the Townsend Plan for National Insurance, and, as I understand it, you have with you Mr. John Doyle Elliott and Mrs. J. A. Ford.

We would be so pleased to have you give us your statement this morning, and you may proceed in any way that you care to, sir.

STATEMENT OF DR. FRANCIS E. TOWNSEND, PRESIDENT OF THE TOWNSEND PLAN, INC.

Dr. TOWNSEND. I had no idea what the procedure would be here. I have prepared a statement. I didn't know whether I would be required to present it to the Senate or leave it.

Senator CARLSON. It will be inserted in the record whether you read it or not, and you may speak orally, if you care to.

I want to say this, Dr. Townsend: I have observed you and your work in behalf of pensions for our elderly citizens for many years, and I will say one thing, you have been most consistent and most energetic, and I think you have rendered a great service.

Dr. TOWNSEND. I will proceed to read the statement I have here, then.

Gentlemen, while this committee, as I understand it, cannot tear up the bill sent over by the House, it can make vast improvements within the framework provided by that poorly conceived legislation. This committee can recommend changes that would carry us far toward sound pay-as-you-go financing of social security, universal coverage, and adequate benefits.

This is a highly appropriate time to consider abolition of the reserve-fund feature of our present system in favor of paying as we go.

The administration, it is said, soon will ask Congress for an increase in the national-debt limit. The social-security law which this committee is considering is one factor which makes the request inevitable. If not this year, then the next or the year after, the debt limit will have to be raised if our present social-security system is retained, since its ever-growing trust fund is part of the national debt.

The $18 billion of Government securities which compose the fund now represents about 6 or 7 percent of the national debt. The fund, I believe, is expected to amount to $100 billion or more within the foreseeable future. It will become the greatest single factor in the huge mountain of debt on which taxpayers must pay interest.

I do not believe the Government licks to publicize the manner in which it handles social-security tax money any more than does the parent who on the day before payday shakes nickles and dimes out of the piggy bank for bus fare and lunch money, replacing the small change with a scrap of paper lettered I O U. When the Government dips into social-security tax funds for lunch money, it does not announce the fact as it does when a new issue of Federal securities is offered on the open market. I find that few people are aware that social-security taxes deducted from their pay have actually become a major source of Government funds for general operating expenses.

The awakening will come when the piggy bank is broken open. This will be the day when it becomes necessary to draw upon the reserve fund in order to pay current benefits.

The practice of converting social-security taxes into Government securities is compared to the investment of premiums by private insurance concerns. The comparison is false. A private insurance company invests money received from policyholders in real-estate mortgages, common stocks, municipal, or Government bonds or in other profitable ways. It does not put premiums into interest-bearing bonds issued by itself, spend the cash for whatever purposes it sees fit, levy on policyholders for additional money to pay interest charges on the bonds into which their premiums have been converted and eventually, when the bonds fall due, reach into their pockets again for money to meet the obligation.

But this is the way our Government operates the old-age and survivors insurance system. Interest on Federal securities in the reserve fund can be paid only through taxes; the taxpayers, the policyholders, must pay the interest on the money the Government borrows from them. The bonds can be converted back into cash only through taxes; the taxpayers, the policyholders, must pay themselves back the money the Government borrow from them. Directors of a private insurance company which operated in this way would go to jail.

Admirers of our social-security system concede that the reserve fund does appear to impose a double burden on taxpayers since they not only pay social-security taxes into the fund but also must meet the cost of Government obligations which arise from investment of the fund in Government securities.

However, it is maintained that this is not actually double taxation for social security, because, if the Government didn't use social-security taxes for general expenses, it would have to raise the money by other means anyway. Would it? I feel that if the piggy bank were not so

conveniently at hand, Dad would manage to arrive at payday with enough change in his pocket to get to work on. Maybe he just wouldn't join the boys for beers after work the day before. I suggest that if the Government did not have this reserve fund to draw upon—sub rosa—we would see more economy practiced as well as preached in Washington.

The $18 billion debt we taxpayers owe ourselves through the social-security trust fund is still of manageable proportions. It won't be for much longer if it grows at the rate projected by actuaries of the Social Security Administration. Congress should not delay in switching to a pay-as-you-go system under which all money collected through social-security taxes is paid out in benefits, except for sums necessary for administrative expenses of the system.

I am inclined to look upon the measure before this committee, House bill 9366, primarily as a general revenue bill, secondarily as a bill to give the American people greater social security. It will increase the number of social-security taxpayers, increase the amounts they must pay in taxes, and thus produce an immediate and substantial rise in the income which the Government can preempt for its own purposes. The added burden imposed on the system by broader coverage and somewhat higher benefits will not be felt in full weight for some time to come. We bequeath these problems, plus the yellowing I O U's in the trust fund, to our children; and, if they are as clever as we, they can pass the buck to their children.

It has always been the contention of the Townsend organization that we should pay for our social security as we go along. Each generation should take care of its own aged. This is the fair and sensible arrangement. Through self-adjusting, pay-as-you-go pensions such as the Townsend plan would provide, retired people would share the fortune, good or bad, of their working contemporaries. This would be the salutory effect achieved by taxing the national income for pension funds and distributing those funds equally among all the retired or unemployable.

Preservation of the reserve fund principle means holding back a major share of money collected from taxpayers for social security. Even under the payroll-tax system we now have, much more money would be available for beneficiaries if the reserve fund idea were abandoned.

The present social-security law is a monstrous thing. It fails to provide the aged beneficiary with income sufficient for the bare necessities of life. Yet, at the same time, through its $75 earnings clause, it limits what he may do to help himself without loss of what meager benefits he receives. House bill 9366 would, in effect, raise the ceiling on earnings to eighty-odd dollars a month. As long as Congress proposes to keep benefits below the subsistence level, there is no justification for any limit whatever on earnings.

Even confused defenders of social security do not pretend that it now provides its aged beneficiaries with adequate retirement income. As inflation disclosed the glaring inadequacies of the law, the defense became that it had never been intended to supply more than supplemental benefits. Supplemental to what?

This is a question that long has plagued me, since many studies have shown that most beneficiaries have little or no independent re-

sources for benefits to supplement. I stumbled upon a tentative answer recently in my reading of that sometimes informative and always entertaining publication, the Congressional Record. A Congressman inserted in the appendix a discussion of the inadequacy of both present and proposed social-security benefits. It appears that a recent survey of beneficiaries turned up one man who actually finds benefiits sufficient to his needs and is content on his monthly pittance from the Social Security Administration. This man, however, was hardly a typical beneficiary.

He lived in a one-room shack in a rural section of the South. He owned a tiny piece of land on which he raised garden crops. He owned a gun and fishing pole with which to supplement his diet by what he could kill or catch in woods and stream. The little check from Washington each month supplied his other simple needs, including, one assumes, ammunition for his gun and hooks for his fishing line.

We now have one answer to the question of what social-security benefits are intended to supplement. They are designed to be supplemental to a gun and fishing pole. The truth is out: Our social-security system is geared to a gun and fishing pole economy.

Unfortunately few of our older citizens are in a position to stalk their food in field and stream and they do not own a shack or garden plot. They must buy their food at the grocery store or eat in restaurants, paying the same prices that are paid by their fellow Americans still able to work and earn salaries or wages commensurate with the cost of living. Millions of them must rent living quarters at a cost that forces them to seek the humblest roof available. They have nothing for social-security benefits to supplement. And their benefits alone are totally inadequate. They will remain inadequate under the trifling increases provided in the measure this committee is considering.

Adequate social insurance such as the Townsend plan proposed can serve the economy in two ways. It would retain people as consumers after they had retired by supplying them the purchasing power needed for decent standard of living. And during their working days, knowledge that they were protected against the risks of disability and old age would permit them to spend money that they otherwise might feel compelled to hoard.

Ours is a money-hungry economy. American economy has a multi-billion-dollar appetite. When it is not fed to its satisfaction, symptoms of malnutrition appear. We are now witnessing one such symptom—4 million or more unemployed, unneeded by industry because of slackened consumer demand.

Early this year, staff experts of the Joint Committee on the Economic Report surveyed economic prospects for the next year or so. You gentlemen no doubt read their report which reached the conclusion that there is not enough demand in sight in the economy to keep the labor force employed even at the rate of January when about 2.5 million were jobless.

Potential output of goods and services for the fiscal year which began yesterday was estimated at about $373 billion; overall demand of consumers, business, and Government for goods and services was estimated at $360 billion. Nothing is in sight to close this $13 billion gap between supply and demand.

But a full solution of the social-security problem would do it. Parity pensions for the retired would enable them to continue as consumers even though they had ceased to be producers.

There is an unanswerable argument for much higher old-age benefits simply because privation and hardship is now the final reward of so many worthy aged Americans. There is an equally powerful argument for adequate old-age benefits as a direct means of supplying the economy with the additional purchasing power it so obviously lacks. What is good for the old folks is good for the Nation.

Senator CARLSON. Doctor, we appreciate very much that statement. As I followed it very closely, I think you have a program here that advocates a pay-as-you-go plan, a substantial pension to the aged citizens, and, thirdly, I believe furnishing consumer purchasing power.

Dr. TOWNSEND. Mr. Chairman, if I may interpolate just a few words.

Senator CARLSON. You certainly may.

Dr. TOWNSEND. We are very much concerned about the progress of communism throughout the world today. Obviously that growth of communism is due to just one thing: poverty of the masses.

Now we could strike a death blow to communism at once in this country, with our ability to produce wealth so superabundantly, if we were just to announce to the world that in this country there is no poverty: That under the system of pay-as-you-go, of economic opportunity for all, under the capitalistic system such as we have, we are enabled to produce in such abundance that we have decided to do away with poverty entirely. It would set an example for the rest of the world that would inevitably be followed, rather than go ahead as we are now, quarreling over communism and having that result in a world war that would destroy half the countries on the globe.

It is something we should think about seriously at the present time: How to check the growth of communism by doing the rational thing here in America, providing to the full extent the needs of our own people.

I thank you very much for your courtesy, sir.

Senator CARLSON. We appreciate your very splendid statement. Thank you kindly.

The next witness is Mrs. J. A. Ford.

Mrs. Ford, we are very happy to have you testify.

Mrs. FORD. There is a statement here of Robert C. Townsend which the doctor would like to have inserted in the record following his statement.

Senator CARLSON. It will be made a part of the record.

(The statement referred to follows:)

STATEMENT OF ROBERT C. TOWNSEND, TREASURER OF THE TOWNSEND PLAN FOR NATIONAL INSURANCE

Mr. Chairman and members of the committee, the Townsend organization has consistently critized the present social-security law and now criticizes House bill 9366 for its segregation of old people into "haves" and "have nots." There are the favored persons to whom old-age and survivors insurance coverage has been granted; there are the equally worthy citizens who have been denied coverage. We have with us today the shameful spectacle of over 3¼ million elderly persons, 85.7 percent of them being women, who have no income whatsoever, no OASI coverage, no OAA benefits, elderly Americans who are completely dependent. Along with them we have some 2½ million reduced to the status of poverty and economic helplessness that qualifies them to wither on

the ill-nourished vine of old-age assistance. These 6 million are the "have nots." Social-security officials say that this problem will gradually solve itself, as indeed it may through the deaths of the members of this neglected generation of old people. This is hardly a happy solution for them or for us.

The Townsend organization rejects such degrading devices as the needs test. It rejects discrimination among old people or disqualification for benefits on legal technicalities. We are all familiar, I believe, with incidents wherein people arriving at retirement age have learned too late that they cannot receive the full benefits they earned due to some technical flaw in their earnings records. The report of the House Ways and Means Committee's Subcommittee on Social Security is replete with such incidents.

We have consistently argued for universal coverage for all Americans under one nondiscriminatory pension plan. We are gratified to see that the times are catching up with us as demonstrated by numerous current proposals for greatly extended coverage under old-age and survivors insurance.

Under the present system of paying out less in benefits than is received in taxes, the social-security administration has accumulated a so-called reserve fund of about $18 billion.

Let me point out that the steadily growing reserve fund is a part of the national debt over which there is such great concern. If expectations for the growth of the reserve fund are realized, it could almost by itself double our present debt level within the next 50 years or so, according to actuaries of the social-security administration. To put it mildly, this is rather an imposing burden to place on our children and grandchildren in order to maintain the fiction that our social-security system is a contributory insurance plan operated by the Government according to the procedures of private insurance companies. The fiction that social security is contributory, that through payroll taxes the worker is buying an annuity policy defers to our understandable esteem of self-reliance. Pay-as-you-go plans have been denounced in some quarters as schemes to the rob the workman of the old-age annuity he is buying through the sweat of his brow. The drumbeaters for the contributory principles generally fail to mention that the total contribution through social-security taxes may work out to as little as one-third of 1 percent of benefits eventually received.

The truth is that we pretty much have arrived at pay-as-you-go now and all we must do is accept the fact and shed the burdensome concept of the reserve fund. Some of the most sensible words yet spoken on social security came from the late Senator Taft, who said during the debate on the 1950 amendments: "In the long run we have to recognizze that the only way to pay those sums is for the people who are working at this time to pay the benefits for the people that are not working. There is no other way to do it." He said further: "* * * we are recognizing in this bill that we have an obligation to pay old-age pensions to people who are old simply because they are old, and not becauses they paid money into the fund."

And finally, H. R. 9366 would not provide pensions adaptable to changing conditions. All present retirement programs, public and private, have a weakness in common. They provide pensions of fixed amounts. They are based, in effect, on the assumption that the times will not change, that the cost of living and standards of living 10, 20, and 30 years hence will be the same. Pensioners now struggling along on retirement programs set up in the 1930's know how extravagantly wrong this assumption can be. On the other hand, the Townsend organization assumes that the cost of living in all probability will vary over a period of years. Therefore, we recommend automatic adjustment of pension payments. With money for pensions raised by a general or universal 2-percent tax on gross business and personal income, there obviously would be more money available in times of full employment, high wages and salaries, and prices. And hence pensions would increase accordingly. Any tapering off in business activity would be reflected by a corresponding drop in pension payments.

Had these principles been in operation during the last dozen years, we would not have had the disgraceful spectacle of the working population of this country feasting on prosperity while old people starved on crumbs that fell from the table.

One truth has become painfully self-evident to the aged beneficiaries of social security in these postwar years. Congress cannot be relied upon to save them from the disastrous effects of inflation on their meager benefits. Granted that the intentions of Congress are good, its adjustments of old-age benefits have been much too little and too late.

With a built-in provision for adjustment of pensions, Congress would be relieved of the necessity of tinkering from time to time with the social-security system in the effort to make it live up to its name.

I would like to comment briefly on the matter of retirement age. The age of 65 has been selected by Congress in the social-security law and by private retirement programs in general. The Townsend organization feels that 60 is a more realistic age, although acknowledging that drawing a chronological line between work and retirement is an arbitrary decision at best.

However, it appears that we are on the threshold of a new industrial revolution which is being variously described as the age of the automatic factory or of pushbutton production. This will be accompanied by an inevitable shrinkage of the already narrow field of job opportunities for older workers. We foresee the need for a shorter working life just as it seems the workweek must be shortened further to make the jobs go around.

Belief persists in some quarters that the Townsend organization has advocated a super giveaway program for the aged. This is not the case. We recommend paying substantially larger benefits than the present social-security system or other proposed substitutes for that system. But much as we have the welfare of the aged at heart, our plan is not intended solely as a solution to their problems of security.

Our major purpose is to create and maintain the high level of purchasing power which the rising productivity of our economy requires. The goal therefore is not security alone for aged, disabled, or widowed Americans. It is security for all Americans, security in employment during their working years, security in retirement when they are no longer needed in industry.

As matters now stand, the person who retires from employment faces so sharp a drop in income that he becomes, for practical purposes, a lost customer for industry. Multiply him by the millions and the loss becomes monumental. It is not compensated for by entrance of young people into employment at the bottom of the wage scale.

There has been much theorizing over the future of the American economy in the light of postwar developments which place our free-enterprise system in competition with state ownership and control of production. Today we are confronted with a condition, not a theory.

The condition is the gap between the capacity of American industry to produce and the ability of the American consumers to buy. That production has outrun consumption has become clear. The fact was concealed for a while. Through defense expenditures, the Government was such a heavy consumer of the output of industry that basic industries, such as steel, were kept fully employed in filling the combined demands of military and civilian customers.

There is not sufficient civilian purchasing power to keep American industry running full tilt. War demands increased our industry to giant proportions. The giant can fill civilian demands with one hand tied behind him. He is loafing along now at a much reduced pace.

I refer you to the weekly supplement to the Survey of Current Business, dated May 7, 1954, wherein the monthly business statistics show—in March 1953 and 1954—the following:

	March 1953	March 1954	Difference
Manufacturers sales inventories	$44,797,000,000	$45,698,000,000	+$901,000,000
New orders	25,106,000,000	23,018,000,000	−2,088,000,000
Unfilled orders	75,713,000,000	53,536,000,000	−22,177,000,000

These figures show how surpluses in the overall sense are upon us, they coincide with the current unemployment, curtailment of overtime pay, the slowing down of business by the surpluses accumulated; at the same time we are allowing the destruction of the purchasing power of the people, with respect to many ling years of their lives, to continue. Gentlemen, a full solution of the social-security problem would terminate this. A sharp increase in consumer purchasing power is needed if we are to return to previous conditions of full employment and capacity use of our industrial facilities.

You gentlemen of the Senate Finance Committee are dealing here, in these social-security hearings, not only with a humanitarian problem, you are dealing as well with a very practical problem. There is an overwhelmingly strong

case for increasing old-age benefits simply because the aged need more income. There is an equally powerful argument for adequate old-age benefits as a direct means of supplying the economy with its very striking lack of sufficient purchasing power. What is good for the old folks is good for the Nation. Whenever defense spending declines, this truth becomes apparent: There is not sufficient civilian purchasing power to keep American industry running full tilt.

Recently staff experts of the Joint Committee on the Economic Report surveyed economic prospects for the next year or so. Their conclusion was that there is not enough demand in sight in the economy to keep the labor force fully employed. Actually, these experts did not make their diagnosis on the basis of full employment, in the sense that every last person wanting a job could find one. They settled for the employment situation of January when about 2½ million persons were jobless, according to Government figures. They allowed for seasonal drops in the working force. They calculated the output of goods and services possible with January employment. They took into account the prospect of continuing increases in productivity per man hour of labor through new machinery and industrial methods. The widely accepted estimate is a 2½ percent rise in productivity per year. The committee staff also allowed for the normal addition of 600,000 new workers each year to the labor force.

They arrived at a conclusion that with employment at the January level, output of goods and services for the fiscal year beginning July 1 will be about $373 billion. They then estimated demand: How much of the $373 billion output the people, business, and Government would be in the market for. They arrived at a maximum of $360 billion as a fair estimate of overall demand. Thus the prospect, according to this survey, is a $13 billion gap between supply and demand and 5 million or more unemployed by next year. The gap will not be closed by wishful thinking.

It will not be closed by supersalesmanship, which some businessmen profess to see as the answer to today's buyer's market. True consumers might be induced to return to their Korean war practice of spending 95 cents of each dollar of disposable income rather than the 92½ cents they are now spending. They might be persuaded to take a more carefree attitude toward installment debt, and thus provide temporary stimulus to the economy. But as we learned in 1929 the higher consumer debt pyramids the harder it falls when the day of reckoning arrives. It would be tragic to place our hopes of prosperity on such an unstable base. The only sound approach is to search for a means of providing a sustained increase in real purchasing power to match the ever-rising productivity of American industry. The alternative to raising purchasing power is to curb production—in other words to abandon free enterprise in favor of Government regimentation of industry. All of us here flatly reject this approach to solution of the problem confronting us. The only acceptable solution is to raise purchasing power. In the Townsend plan, we have the means to accomplish this while retaining free enterprise and at the same time fulfilling our obligations toward the aged and others, who through no fault of their own are denied a just share of their Nation's staggering productivity.

We estimate that there are 18 million Americans who should be drawing social-security benefits amounting to 2½ to 3 billion dollars a month, all of which would necessarily be put back into circulation by them and which would be sufficient to close the gap between supply and demand.

Our concepts can be summarized as pensions as a matter of right, pay-as-you-go pensions, variable pensions.

STATEMENT OF MRS. J. A. FORD, DIRECTOR OF THE TOWNSEND WASHINGTON LEGISLATIVE BUREAU

Mrs. FORD. Mr. Chairman, the statement under my name is a constructive criticism of H. R. 9366. There are many questions to be asked regarding that bill.

I shall not read the full content of the statement, but there are a couple of parts I would like to refer to.

(The statement referred to follows:)

STATEMENT OF MRS. J. A. FORD, DIRECTOR OF THE TOWNSEND WASHINGTON LEGISLATIVE BUREAU

Mr. Chairman and members of the committee, in a 1952 campaign speech in Los Angeles, General Eisenhower called the social security system "inadequate" and promised that his administration would extend it and make it "fair to all." Administration proposals for revising the social security system are contained in House bill 9366, which this committee is now considering. This bill would not fulfill President Eisenhower's pledge to make social security "fair to all."

The bill is not fair to the several million aged persons denied old age and survivors insurance because they never worked in the occupations arbitrarily selected by Congress as "covered occupations" or simply because they were born too soon to reap its benefits. Nor is it fair even to those members of the present generation of aged who are beneficiaries of OASI.

Improvements which this measure would make in social security are designed mainly for those who retire in the future. The maximum primary benefit for those who retire in the future would be increased about 27 percent over the present payment. For those already retired the increase would be only about 14 percent. Protection would be given today's workers against loss or reduction in ultimate benefits because of prolonged unemployment, periods of low earnings, or disabling illness. Those already retired, the workers of yesterday, would continue to be penalized for misfortunes suffered during their working lives. OASI would be extended to millions of additional Americans whose occupations would become covered under the revised law. Elderly Americans who retired from these same occupations prior to revision of the law would remain ineligible for benefits.

This is a discriminatory bill. It discriminates against the aged of today. It offers nothing new to recipients of old age assistance who, through no fault of their own, were never allowed—never permitted—the opportunity to win old age and survivors insurance benefits. It offers little to those aged who were able to qualify for these benefits.

The aged dependents of the social security system have suffered cruelly during the postwar inflation. They have been the forgotten Americans. Grudging increases in benefits have always been too little and have come too late. Their income position in relation to the working population has steadily declined. Their hearts were lifted by the promise of a new administration that social security was, at last, to be made fair to all. Their disillusionment will be great if this bill is permitted, by the Senate, to become law without revising it so that today's aged will at least be accorded treatment equal to that provided for the aged of tomorrow.

If Congress judges that those who retire in the near future will need a maximum benefit of $108.50 a month, how can it maintain that a maximum of $98.50 is sufficient for those retiring today? And it should not escape the attention of the members of this committee that actually the proposed increase of $13.50 in the present maximum is not as meaningful as it might appear to the person who is uninformed on social security matters. For you gentlemen are aware that comparatively few receive the maximum or even come close to it. The full employment at relatively high pay during the war and postwar years may enable many of those not yet retired to attain the maximum at age 65. But fortune was less kind to most of those already retired prior to the 1950 extension of coverage. The promise of an increase in the maximum to $98.50 is, by and large, discriminatory because so many were denied coverage that would have enable them to receive this maximum. The average OASI benefit will be increased to only $55 to $57, compared to the present average of $50 a month.

Secretary Hobby acknowledges that present benefits are too low under today's conditions, for social security to fulfill its purpose. Does she, or anyone else, seriously contend that an average increase of $5 to $7 in OASI benefits will enable the system to fulfill its purpose?

The Townsend organization does not believe that even the somewhat high scale of future benefits will enable the system to fulfill its purpose. But at least these proposed increases take a somewhat more realistic view of the needs of retired people. And if it is necessary and proper to increase the future benefit by 27 percent, then it is just as necessary and proper to increase the present benefit—and not just in the maximum category but lower down the scale, too, where the bulk of beneficiaries are situated.

The Townsend organization maintains that payment of benefits on a graduated scale should be abolished—that all benefits should be in effect maximum, based

on equal division of revenues raised through a 2-percent tax on gross income. However, if we must now assume that this Congress is committed to continue, for the present, the minimum-maximum system of benefits, we urge that a more realistic view be taken of the practical outcome of the current scale of benefits.

Many beneficiaries are located at the minimum end of the scale. A $5 a month increase in the minimum, making it $30 instead of $25 a month, is no real answer to their needs; and I do not believe any member of this committee will argue that it is. A great number of beneficiaries are in the middle of the scale; paying them $6 or $7 more for a total of 50 some dollars a month, is of very little material aid to them. In simple justice a substantial increase in the minimum is essential with corresponding increases in benefits all along the scale. The maximum surely should be no less for the present aged than for those retiring in the future.

In addition, the stigma of pauperism should be removed from the 2½ million needy aged who now are forced to depend on old-age assistance and from the over 3¼ million elderly who have no income whatever. Congress need only declare that all persons of retirement age shall automatically be credited with average monthly earnings to an amount sufficient to entitle them to the minimum OASI benefit. This assumption of minimum monthly earnings can justifiably be made for men and women alike regardless of past occupation. Is there a Member of Congress who would like to go on record, for example, with a denial that the average housewife or mother of a family has performed as valuable services to society as the wage earner or farmhand and deserves equal consideration by her country in old age?

Without disrupting the framework of the House bill, this committee can recommend that the minimum benefit be computed on an assumed average wage of at least $110 a month, for all citizens regardless of work records or lack of them. This would provide a minimum benefit for every citizen at retirement age of at least $60 a month. We can safely assume that every citizen has served society to the extent of $110 a month and in old age is entitled to no less than this minimum return on the service and devotion he has invested in a greater America.

This committee can also recommend several other improvements in House bill 9366 without destroying its basic structure. It can, for example, propose that the ceiling on earnings of beneficiaries under 75 be removed entirely. We are told by defenders of the present social security system that its benefits are intended only as supplements to other resources of its beneficiaries. Studies conducted by the Social Security Administration itself have proven that most OASI beneficiaries have little if any independent means of support. The Social Security Bulletin, April 1954, reported that a survey conducted in 1951 showed—and I quote—"old-age and survivors insurance benefits provided the only independent retirement income for a large majority of beneficiaries. Seven out of 10 single beneficiaries and half the couples had nothing or less than $75 for the year besides their benefits; only 1 out of 8 of the single beneficiaries had $600 or more and 1 in 5 of the couples had $900 or more." The bulletin commented that there is no reason to believe the income picture of OASI beneficiaries has changed in any important way since the survey was made.

In view of the fact that most beneficiaries have next to nothing for the "supplemental benefits" or OASI to "supplement," Congress can do no less than grant them a completely free hand to improve their income position to the best of their ability through employment. Only when social security provides fully adequate benefits, such as the Townsend Plan proposes, will it be justifiable to make nonemployment a test of retirement.

Another practical improvement that can be made in this bill is to reduce retirement age to 60 years. This would recognize the obvious fact that employment policies of business and industry have shortened the working life of Americans just as the workweek has been shortened. Employment agencies, both public and private, testify that it is extremely difficult to place a job applicant of 45 or over.

Another realistic step which this committee might take is to recognize the special position of women in our society. Most wives are 4 or 5 years younger than their husbands. This means a corresponding delay for the wife in obtaining her share of benefits after retirement of her husband at 65. And certainly immediate payment of benefits to a widow is justifiable. Consider the plight of a woman of 55 or 60 who has been dependent on her husband's wages while she raised a family. Consider her desolation and despair if he dies, leaving her alone to face the task of providing for herself. Employment is virtually out of the question; she has no useful experience and furthermore is considered much too old according to the hiring standards of employers.

This committee also can and should recognize that total disability is simply a form of premature, forced retirement. Providing immediate payment of benefits to the person who becomes disabled before retirement age would close one shocking gap in our social security system. I note that our neighbor to the north, the Dominion of Canada, is now taking this step. It is the first nation to do so; let us become the second.

WHY DOES H. R. 9366 IGNORE THOSE DEPENDENT UPON OLD-AGE ASSISTANCE?

No consideration of any kind has been given by the House Ways and Means Committee to the largest group of elderly citizens who need help the most—I mean those who are dependent on old-age assistance.

As for the proposed extension of the temporary $5 Federal-matching-share increase, granted in 1950, for old-age assistance beneficiaries, it never meant a direct increase of benefits to these elderly people; not until the State legislature acted to increase the State's old-age assistance payments: Otherwise the increase of the Federal grant was used to increase the number of recipients placed on the rolls, or for special cases, and in some States maybe a couple of dollars increase was given to those receiving less than the average payment.

Consideration of the needs of these millions of citizens who never had the opportunity to come under the social security old-age insurance, and who are now classified as liabilities at the mercy of the State and local government, plus investigators, is shamefully overdue.

What crime have these elderly citizens committed?—only that of growing old. Think of it gentlemen, these citizens and there are millions of them, who have paid taxes all of their lives in one form or another do not now have the assurance that they will even have the food, shelter, or medical care which is now afforded a criminal in our penal institutions. Should we not feel ashamed at our lack of proper consideration of this group of citizens—many millions of whom were prosperous before the depression days of the 1930's forced them to live in poverty and dependency: Many tortured by the thought of being unwanted—treated with less consideration than that which we give a stray dog or cat in our city kennel—or even a criminal in jail. Is this the reward of being a good citizen? Is this condition going to continue by an act of Congress—or will the Senate of the United States see to it that the stigma of pauperism is wiped out for these elderly citizens and place them in a position to receive a decent retirement insurance, as well as their more fortunate friends who have had the privilege of working under "coverage" of even this presently poor system of social-security insurance.

Remember too, that these millions who are now totally dependent on old-age assistance did not refuse to be placed under social-security insurance, they simply never had a chance to participate.

Gentlemen of this Senate Finance Committee: We appeal to your sense of fair play and good judgment, to see to it that this 83d Congress does not adjourn until our system of social security provides security for all citizens, and not only for special groups, and that you do away with any condition that makes second-class citizens of the men and women who helped build this great Nation. The very least that can be done is to see that they are protected under a universal insurance, and that the amount be high enough to make them an asset to every community and to the economy of the Nation.

There is little comfort to those in need of better care, need of food, shelter, and clothing, to tell them that there is not enough time left in this 83d Congress to do anything for them. Whatever you do for them is not charity, it is theirs by right of age and it is only a small dividend due them as good citizens. It is money that will be turned back into the channels of trade. * * * In the name of all that is decent, don't ignore the plight of these men and women.

Mrs. FORD. First of all, one of the many reasons we object to the bill is that it is a discriminatory bill. It discriminates against the aged of today. It offers nothing new to recipients of old-age assistance who, through no fault of their own, were never allowed, never permitted, to win old-age and survivors insurance benefits. It offers little to those aged who were able to qualify for these benefits.

If Congress judges that those who retire in the near future will need income benefits of $108.50, how can it maintain that a maximum of $98.50 is sufficient for those retiring today? These and many other

questions you will find will have to be asked before the bill is passed. They are questions that have to be settled.

There is one other question that does not deal exactly with the content. However, H. R. 9366 did find it necessary to extend the time in which the $5 Federal grant was to be continued to those on old-age assistance.

I believe every one must ask the question: "Why does H. R. 9366 ignore those dependent upon old-age assistance?" No consideration of any kind had been given by the House Ways and Means Committee to the largest group of elderly citizens who need help the most. I mean those dependent on old-age assistance,

As for the proposed extension of the temporary $5 Federal matching share, let us remember that it has never meant a direct increase in benefits to these elderly people, not until the State legislatures acted to increase the old-age assistance payment: Otherwise the increase of the Federal grant was used to increase the number of recipients placed on the rolls, or for special cases, and in some States maybe a couple of dollars increase was given to those receiving less than the average payment.

Consideration of the needs of these millions of citizens who never had the opportunity to come under the social-security old-age insurance, and who are now classified as "liabilities" at the mercy of the State and local government, plus investigators, is shamefully overdue.

What crime have these elderly citizens committed? Only that of growing old. Think of it, gentlemen; these citizens, and there are millions of them, who have paid taxes all of their lives in one form or another, do not now have the assurance that they will even have the food, shelter, or medical care which is now afforded a criminal in our penal institutions. Should we not feel ashamed at our lack of proper consideration of this group of citizens—many millions of whom were prosperous before the depression days of the 1930's forced them to live in poverty and dependency; many tortured by the thought of being unwanted—treated with less consideration than that which we give a stray dog or cat in our city kennel—or even a criminal in jail. Is this the reward of being a good citizen? Is this condition going to continue by an act of Congress, or will the Senate of the United States see to it that the stigma of pauperism is wiped out for these elderly citizens and place them in a position to receive a decent retirement insurance, as well as their more fortunate friends who have had the privilege of working under "coverage" of even this presently poor system of social-security insurance?

Remember, too, that these millions who are now totally dependent on old-age assistance did not refuse to be placed under social-security insurance; they simply never had a chance to participate.

Gentlemen of this Senate Finance Committee, we appeal to your sense of fair play and good judgment, to see to it that this 83d Congress does not adjourn until our system of social security provides security for all citizens, and not only for special groups, and that you do away with any condition that makes second-class citizens of the men and women who helped build this great Nation. The very least that can be done is to see that they are protected under a universal insurance, and that the amount be high enough to make them an asset to every community and to the economy of the Nation.

There is little comfort to those in need of better care, need of food, shelter, and clothing, to tell them that there is not enough time left in this 83d Congress to do anything for them. Whatever you do for them is not charity; it is theirs by right of age, and it is only a small dividend due them as good citizens. It is money that will be turned back into the channels of trade. In the name of all that is decent, don't ignore the plight of these men and women.

I appeal to you especially in the name of women. Remember the women of this country, the housewives who have never had an opportunity to be under old-age insurance. True they receive something at 65. The average married woman is 4 to 5 years younger than her husband. Think of the condition in which a woman is left who is dependent upon a husband's wages when he dies if she is at the age of 55 or 60, unqualified because of lack of training, bringing up a family and all, to go out into the business world, and unqualified because today industry says, "We don't want you after 45."

Mr. Chairman, please see that consideration is given to these things. The Townsend plan is the answer. You have all the details and our economic consultant who follows me has the facts and figures for you.

Senator CARLSON. We appreciate your very informative and helpful statement. You have spent a lot of time on this, and we know you have rendered a real service.

Mr. Elliott, you may proceed in any way you care to, sir.

STATEMENT OF JOHN DOYLE ELLIOTT, ECONOMIC CONSULTANT FOR THE TOWNSEND PLAN FOR NATIONAL INSURANCE

Mr. ELLIOTT. I have here and have presented to the clerk a complete analytical document from the point of view of solving and eliminating social security as a problem.

Senator CARLSON. The statement will be made a part of the record.

(The statement referred to follows:)

STATEMENT BY JOHN DOYLE ELLIOTT, ECONOMIC CONSULTANT FOR THE TOWNSEND PLAN FOR NATIONAL INSURANCE

Mr. Chairman and members of the committee, you already have testimony from Dr. Francis E. Townsend and Mrs. J. A. Ford regarding the broad purposes and fundamental philosophy of the Townsend plan contained in bills before Congress. My task is to present the statistical analysis of the legislation we advocate. My statement is designed to show how many citizens would receive benefits, how large the benefits would be, where the money would come from, how much it would cost to administer the program, etc.

Obviously, an assignment of this magnitude cannot be condensed into the minutes allocated to me for oral testimony. Therefore, I am submitting, for the record, a memorandum which I believe covers the entire subject comprehensively. With your permission I shall devote my oral statement to a summary of the highlights of the memorandum.

Any discussion of the Townsend plan (or, for that matter, any other program involving retirement benefits) must begin with a look at the present Social Security Act, since that is the program we hope to replace. The amendment under discussion today, H. R. 9366, is a social-security bill drawn in the tradition of the original Social Security Act. That is to say that H. R. 9366 is not intended to alter the character of the current program; rather, it is designed to perpetuate it. In a strong sense, it confesses the inadequacy and inflexibility of the present system.

We of the Townsend organization are earnestly convinced that this is not a policy that will solve the problem of social security.

On this count, let me call your attention to these facts, found in a survey on consumer income distribution by the Bureau of the Census.[1]

This report shows that in 1952 the total money income of all persons 14 years of age and over figures out to an average of $180 per month per person—almost $2,200 annually. By contrast, the average person 65 years of age and over, having income, had less than $900 in 1952 ($75 monthly). The average man 65 and over, having income, had only $1,247 ($104 monthly). The average woman 65 and over, having income, had only $654 in 1952 ($54.50 monthly). On top of this, the same report shows that over 25 percent of those 65 and over had no money income from any source whatsoever. The only possible conclusion is that the aged, as a group, occupy a place of severe economic inferiority in our society.

If this situation were showing a marked tendency to improve as a result of the present social-security system, there might be some room for complacency. Unhappily, the opposite is the case; the income position of the elderly is actually deteriorating. On this point, I refer you to an article by Jacob Fisher of the Division of Reserach and Statistics of the Social Security Administration, published in the February 1954 issue of the Social Security Bulletin, entitled "Postwar Changes in the Income Position of the Aged." This article shows that from 1947 to 1952 the income position of the aged declined as compared to the adult population in general. The article sets forth these facts:

While the total share of personal income received by the aged increased from 7 percent in 1947 to 8 percent in 1952, the aged population grew by 17 percent. Over the same period, however, the total population aged 14 and over increased by only 5 percent. The net result was a 31-percent income gain for the total adult population but a gain of only 29 percent for the aged. Thus the aged actually slipped 2 percent from 1947 to 1952.

This fact becomes arresting when we recall that in 1950 Congress increased OASI benefits by 70 percent; that over that same period the field of private pension systems increased dramatically; that in the same period practically every significant social-security system was liberalized. We must, therefore, conclude that all the social-security action taken since 1947 failed to better the position of the aged. The elderly, despite amendments intended to aid them, have fallen even farther behind the general population in terms of income and living standards. In the light of these considerations, we cannot regard the proposals of H. R. 9366 as of significant value. The best this proposal can do is to postpone, for a brief period, the downhill slide of our senior citizens. The OASI has sometimes been called the cornerstone to security for the aged. The statistical evidence shows it is no such thing. Indeed, by blocking a realistic approach to the problem of income for the aged, it might better be described as a cornerstone to perpetuated poverty.

A new solution is clearly indicated. We believe we have it in the Townsend plan program. We submit that it will wipe out the inferior economic status of American citizens reaching old age; that it will abolish such individual poverty; and that in doing these things it will at the same time nourish the economic health of the Nation by increasing purchasing power.

As I have said, the attached memorandum covers in detail the mechanics of how these things would actually be accomplished. In the time remaining to me, let me emphasize what we consider to be the high points of this program.

First and foremost, the Townsend plan would bridge the income chasm between the aged and the rest of the population. In 1952, benefits to the aged under OASI and OAA (both of which the Townsend plan would replace) averaged about $250 million a month. The total income of those 65 and over (including these benefits and the benefits of all other programs both public and private) averaged about $1.570 billion a month, in 1952. If those 65 and over, as a group, had enjoyed overall equality with the general adult population, they would have needed $2.354 billion a month in 1952. Therefore, the Townsend plan would have been required to produce at least $1.043 billion of additional income for those 65 and over in 1952, in order to have overcome the economic inferiority of these aged.

The Townsend plan would do what the Social Security Act has failed to do; it would fill the gap. This is how it would be done:

Coverage

The Townsend program would pay benefits, in equal amounts, to all retired persons at age 60; to the permanently disabled 18 to 60; to widows with dependent

[1] Current Population Reports, Bureau of the Census, Consumer Income, Income of Persons in United States, 1952, table No. 3, series P–60, No. 14, December 31, 1953.

children under 18. In 1952, benefits would have gone to about 14.5 million aged persons, 2.2 million disabled persons, and 1.175 million widows. The memorandum explains how these estimates were reached (p. 10).

Benefits

In 1952 these people would have received an average monthly benefit close to $130. I again refer you to the memorandum for the detailed analysis of how these benefits were estimated (p. 13).

Financing

The Townsend program would be supported by a 2 percent tax levied on the gross income (gross receipts) of all business and industry, and on the gross income of all individuals in excess of $250 a month, or $3,000 a year. This tax would, of course, replace the present 4 percent social-security tax on payrolls. The revenue from this tax would have been distributed on a pro rata basis to all annuitants after the cost of administration. There are, of course, certain areas of finance which would be exempt from the tax, and this rather involved problem is discussed thoroughly in my memorandum (pp. 3 through 7).

Administrative costs

We estimate that in 1952 it would have cost a total of $118 million $9.8 million monthly) to administer the Townsend plan. This compares to $193 million (over $16 million monthly) for present programs accomplishing very much less, as of 1952. Again I refer you to the memorandum for analysis of this feature (pp. 8 and 9), administrative costs of social security program.

Our detailed studies have shown us that out of the average monthly revenue total the Townsend program would have produced, as of 1952, $9.8 million monthly would have gone for administrative costs; about one-fourth of the beneficiaries, between ages 60 and 65, would have taken an average of $576 million monthly; $435 million monthly would have gone in benefits to disabled citizens and to widows with dependent children. These sums would have totaled $1.021 billion monthly. The balance of the monthly revenue would have gone to the group 65 and over. Let us see just what difference it would have made in their income position.

Here is the picture: Our analytical studies have shown us that the average monthly revenue-yield of the tax proposed in the Townsend plan program, at the rate of 2 percent, would have been about $2.305 billion (p. 13 of memorandum). Subtracting the above figure of $1.021 billion (monthly) which would not have been available to those 65 and over, there would have remained $1.284 billion monthly to be distributed among that group.

We saw, in the foregoing analysis of the Census Bureau's data, that the elderly fell $1.043 billion monthly short of the general adult income-position. Therefore, the Townsend program would have abolished the income-lack of these elderly; and there would have been an apparent surplus of $241 million monthly over this requirement. However, as the appended memorandum explains fully, all estimates on our part are maximum (p. 1), in order that enactment of the program would not produce results exceeding expectations. The probability is that this apparent surplus would not materialize at all.

As of the actual statistical and economic levels of 1952, therefore, the Townsend plan, had it been in operation, would have done these specific things:

1. Instead of over 25 percent of those aged 65 and over having no money income, no aged citizen would have lived on less than the Townsend plan benefit—close to $130 monthly (see p. 13 of memorandum)—as compared to the per capita income of that year (for all persons of all ages) of over $136 monthly.

2. As a total group, th[illegible] would have been raised to the same overall income-position as the adult population in general.

The social security problem would have been abolished, for all practical purposes.

Another very important feature of the Townsend program is that the real value of benefits would not deteriorate. Changes of any nature in the economy would be directly reflected in the revenue yield of the proposed tax. Benefit-amounts are directly dictated by the actual revenue yield. Therefore, the relationship between the general adult standards at any time and the degree by which this program would supplement the incomes of the aged would be constant. The fixed-income problem would be abridged.

The Townsend plan program goes much further into the social security problem than eliminating the income lack of the group 65 and over. In this bill, it is recognized that this group's severe lack of income is conclusive evidence

that the problem exists for very many people long before they reach 65. Therefore, it provides for citizens having the right to retire after reaching the age of 60 years. Surveys on income distribution do not deal with the group between 60 and 65, they being lumped into a major group aged 55 through 64. The bill also provides benefits for disabled citizens. While the income-status of such persons as a particular group is not defined in available data, it is obvious that disabled persons contend with the same severe, economic problem as the aged.

Another group, widows with dependent children, is provided for under the Townsend plan. This group is made up of families who have lost their fathers. The economic plight of citizens finding themselves in this position and faced with family responsibilities is severe. The Townsend plan would supply to these widows the same benefits as for old age and disability, as a substitute for the lost breadwinner, so long as there remain any children under 18.

Old age, disability, and loss of parent are the great economic areas that a successful social-security program should provide for. Such conditions destroy the buying power of these people. Some 17 to 18 million Americans, at the present time, are to be found in these conditions without the means for a sufficient living standard. The progressive growth of the elderly part of the population dictates that their total must increase, not decrease. They are a constantly increasing loss to our entire economy. Apart from their own hardships, they represent virtually no market for the products of business and labor. At the same time, we are plagued by the mounting problem of recurring surpluses and consequent unemployment with its lessening, in turn, of total purchasing power in our economy.

The Townsend plan program, apart from solving the serious social security problem of the American people, would place this great host of deprived Americans in a position to represent opportunity, a buying market for every conceivable type of production.

Gentlemen, nothing we do is going to solve this basic economic problem of our free enterprise system if we do not get this ever growing weight of destroyed purchasing power off of our backs. Its constantly increasing force will bring to final naught the other fine works of this great Nation which could, but for this one thing, work such great good.

In recent times particularly, we have heard much about the need for bolstering purchasing power. We have heard even more about surpluses of production. We again have serious repercussions because of unemployment. The uplifting of these people to the American standard of living, provided for in the Townsend program, is the central purpose of this legislation; strengthening purchasing power to absorb surpluses.

In view of the authentic statistics now available regarding the income-position of our aged and other deprived elements; in view of the results of our careful studies, contained with complete references in the attached memorandum of analysis, showing that the Townsend plan would correct this situation; in view of the meaning of this problem not only to the elderly but to all persons and to our general economic prosperity, the whole matter is simply one of decision, now. The present system of social security is not calculated to do this. In fact, its proponents had no such thought in mind that might have resulted in a program to do this great thing. The decision is simply whether it would be good to do this. If so, the Townsend plan embodies the principles and the ways and means for doing it. If it is not to be done, that decision will mean that for most Americans poverty will continue to be their final reward in life.

The American people want this social security problem solved in the complete sense. We herewith present to you the concrete and authentic evidence that it can be so solved; and solved with dispatch.

EXPLANATION OF ESTIMATES OF MONTHLY BENEFITS THAT WOULD BE AVAILABLE UNDER H. R. 2446, AND DESCRIPTION OF DATA ON WHICH ESTIMATES ARE BASED

H. R. 2446 (the Townsend plan bill) proposes that its social-security benefits be financed by a tax on the gross receipts (gross income) "of all persons or companies derived from any and all sources, except in personal incomes there shall be an exemption up to $250 per month." Because this tax base is so extremely broad, it would permit a low tax rate and, at the same time, a revenue yield high enough to carry out the purposes of the bill. This yield would closely reflect the status of the Nation's economy at any given time, automatically

compensating for variations in the cost of living as well as future rises in general living standards.

It would be a simple matter to add up the gross receipts of all persons and companies—if such data were available. Most existing reports, however, deal with net rather than gross receipts. Since there is no one or any agency that compiles such data, reports that do exist concerning gross receipts (gross income) tend to be rather fragmentary. For example, while the Census Bureau's latest census of business covers retail, wholesale, and service businesses in the United States, it does not include all businesses; and there are gaps and overlaps in data. Thus, these reports in themselves would provide only a minimum estimate of the proposed tax base.

Therefore we must look elsewhere. Fortunately, data do exist from which a maximum estimate of the tax base can be reached. Enactment of H. R. 2446 on the strength of the maximum estimate would insure that the benefits would not exceed the amounts calculated herein.

This study is, therefore, based on the maximum approach for determining the tax base.

DATA ON WHICH MONTHLY BENEFITS UNDER H. R. 2446 CAN BE CALCULATED

Total business volume

For the purposes of this study the Nation's volume of business is computed from two sets of statistics:

1. There is the monthly report of debits to deposit accounts, prepared by the Federal Reserve Board. This figure is the total movement of money in the country as represented by so-called checkbook money. It is the total of payments made by individuals and companies as reflected by debits to the bank accounts they maintain. While not all of these payments represent compensation for personal services, or proceeds from the sale of tangible or intangible property (the tax base proposed in H. R. 2446), most debits are of this nature. When people write checks they usually do so in order to make a payment of some sort. The exceptions are, in an important degree, the subject of the following sections of this study of estimating the actual base upon which the proposed tax would bear.

2. There is the monthly report showing the amount of United States currency in circulation (that is, outside the Federal Reserve banks and the United States Treasury) as of the last day of each month. This figure is also given in the monthly Federal Reserve Bulletin. We do not know exactly how much business is transacted exclusively on a currency-payment basis, but the amount is obviously substantial. While the volume of business involving currency payment may be more or less at any given time, our studies, based on previous extensive studies by Dr. John Donaldson, of George Washington University, convince us that five times the amount of currency in circulation is a fair judgment of currency-paid business volume annually. It is most pertinent to point out, however, that under present business conditions total business volume is in the area of $1.5 trillion annually. On the basis of five times currency in circulation (presently about $30 billion), this makes currency-paid business volume about $150 billion, or 10 percent of the total. If we consider another multiplier, say six, for example, that would increase the total by one-fifth of 10 percent, or 2 percent. This, in turn, would increase the tax-yield estimate accordingly by 2 percent. Therefore, for the purpose of this study, we adopt the estimate of five times the amount of currency in circulation per year (five-twelfths per month), plus the total of debits to deposit accounts as representing the total business volume in the United States economy.

The tax base

H. R. 2446 does not propose to use either business turnover or total transactions as a tax base. It proposes a tax on gross receipts (gross income), received as "compensation for personal services," or derived from any business or "the sale of tangible or intangible property." As a result, the tax base under H. R. 2446 would be considerably smaller than the theoretical figure for total business turnover.

Following is a study of the deductions from the total business volume that are essential to arrive at an estimate of the yield under the proposed tax.

It is important to bear in mind that the object of this study is to estimate the tax base on the basis of the maximum approach.

DEDUCTIONS FROM TOTAL BUSINESS VOLUME

I. Taxes

(A) Federal revenue would not, of course, be subject to the tax under H. R. 2446. While gross receipts of the Federal Government vary widely from month to month, the average was $5.7 billion a month in 1952. (See Survey of Current Business, Department of Commerce, July 1953, p. 14, table 8.) Since the defense program implies a continued high level of spending, it is reasonable to expect that the $5.7 billion a month rate will fairly represent this item for 1953. This $5.7 billion must be deducted from the gross business base to arrive at the tax base under H. R. 2446.

(B) State and local revenue: There are so many tax-collecting agencies in this category that up-to-date monthly reports are not available. However, annual data are given in the July 1953 Survey of Current Business, page 14, table 8, showing State and local government receipts in 1952 totaling $25.730 billion—which average $2.2 billion a month. There is no reason to expect a lower figure for 1953.

Thus, Federal, State, and local governments' revenues averaged $7.9 billion a month in 1952.

Deductible item: $7.9 billion monthly.

II. Exemptions

Section 201 of H. R. 2446 provides that the gross income tax shall apply to the gross receipts of all persons and companies, except that the first $250 monthly of personal income shall be exempt. The value of this exemption on personal incomes would have totaled at least $12.45 billion a month in 1952. This estimate comes from an analysis of the Census Bureau's latest data on consumer income-distribution—Current Population Reports, series P-60, No. 14, table 3, released December 31, 1953—covering consumer income-distribution in 1952.

Analysis of these surveys covering the years 1947 through 1952 shows that the value of this tax exemption on personal incomes is rising year by year. For example, it was $11.5 billion monthly in 1951, less than $11 billion in 1950 and about $8 billion in 1948. These surveys deal in terms of money income only. The figure of $12.45 billion is adopted for the purposes of this study, since we are interested in producing a maximum estimate of the tax base.

Deductible item: $12.45 billion monthly.

NOTE.—The proposed gross income tax rate is 2 percent. If personal income exemptions were not permitted, the rate of 1.8 percent would yield sufficient revenue to pay the same benefits envisioned with a 2-percent tax including exemptions. With the lower rate and no exemptions, more revenue would be collected in the form of direct taxes and a little less in the form of indirect, or price-included taxes.

III. Shrinkages

As used in this study, the term "shrinkage" applies only to a lessening in the dollar volume of business turnover. It does not refer to shrinkage in the actual production or distribution of goods, commodities or services.

For example, under the tax proposed in H. R. 2446, more producers would enter into agency contracts with their dealers instead of selling outright title to their products. In such cases the values of these agents' commissions would become the measure of their gross receipts instead of the total prices charged their own customers. Business, obviously, must accommodate to any new system of taxation. To approach the actual base of the proposed tax, such shrinkage must be represented as deductible from the present dollar value of business turnover.

In studies of this question, economists Dr. John Donaldson of George Washington University in 1943 and 1944 and Dr. Harry Moorehouse of the University of Georgia in 1946, arrived at the judgment that shrinkages due to business accommodation to the proposed tax would have amounted to about $40 billion annually as of 1942 to 1943. Projecting this estimate to the business levels of 1952 and those already clearly indicated for 1953, this factor becomes about $100 billion annually. For the purpose of this study, therefore, a monthly figure of $8.5 billion is adopted to represent this factor.

It must be kept in mind that "shrinkage" represents an intangible item, especially in view of the fact that there has never been a tax on national gross receipts.

Since this study is based on a maximum approach in estimating the proposed tax base and the tax yield, we must point out that to represent "shrinkage" in

this study is not necessarily to conclude that the operation of this tax would occasion these lessenings of business volume. It is rather to make clear that shrinkages are a probability and to show their possible effects.

Therefore, in terms of percentage, let us view it in the light of the difference it would make in the outcome of this study, if we ignore shrinkage entirely. Then, the maximum nature of the resulting estimate of the tax base would certainly be beyond challenge. Disregarding it would have this effect: With total business volume running around $1.5 trillion a year, the $100 billion annual figure representing "shrinkages" would be about one-fifteenth of the total, or 6.7 percent. This would still leave the final estimate of individual benefits resulting from this study above but close to the level of so-called per capita income, which is the benefit goal the Townsend plan aims for. The adoption of the above-indicated $100 billion annual deduction ($8.3 billion monthly) results in the final figure falling a little short of per capita income.

Deductible item: $8.3 billion monthly.

IV. Loans, investment capital, and transfers

Under H. R. 2446 the principal of loans and the repayment of the principal, capital invested, and recovery of the invested principal would not be subject to taxation. The interest, dividends, and capital gains would be. So-called flow statistics on the total dollar volume of loans made and repaid are not available, reports giving mainly the amounts of loans outstanding. Statistics on the amount of new capital invested through securities are available. There are no reports which make it possible to measure the dollar volume of simple transfers of funds by depositors from one account to another for the purpose of business convenience. Appendix A of this study sets forth "flow" data sufficient to show clearly that the minimum allowance we can sincerely make to represent these factors is $10 billion monthly.

Deductible item: $10 billion monthly.

V. Miscellaneous

There are numerous additional examples of receipts that would not be taxable under H. R. 2446, but they are not so reported that they can be segregated and measured. For example, considerable sums paid as insurance claims and the receipts of numerous nonprofit organizations and trust funds would not be taxed. We note that in 1952 employers alone contributed $3.436 billion to private pension and welfare funds, to say nothing of unreported contributions by employees; as reported by the Department of Commerce in Survey of Current Business, July 1953, page 24, table 34. These additional items are pointed out here to indicate even more clearly the maximum nature of the estimates arrived at by this study.

All things considered, it appears clear that under the tax proposed in H. R. 2446 the net tax base would be at least $35 billion a month less than the total business volume (debits to deposit accounts plus five-twelfths the sum of currency in circulation).

Conclusion

For the purpose of measuring the month-by-month performance of the program advocated by H. R. 2446, for the year 1952, this study will employ the figure of $35 billion to represent the monthly total of deductible items. This figure assures that the resulting estimates will be maximum.

By deducting $35 billion from the monthly total of debits to deposit accounts plus five-twelfths the amount of currency in circulation, we arrive at the net tax base for each calendar month.

A 2-percent tax rate applied to the net tax base would provide the estimate of the monthly tax yield. Administrative costs would then have to be deducted; and the remainder would be the amount available for distribution to beneficiaries under the proposed program.

ADMINISTRATIVE COSTS

In 1952 it cost over $192 million to administer the present social-security programs of old-age and survivors insurance, old-age assistance, aid to the blind, and aid to the totally and permanently disabled, according to the Social Security Administration, as cited at the conclusion of this section. It is estimated, as explained below, that the cost of administering H. R. 2446 would be $118 million annually, as of 1952. This becomes all the more significant in view of the fact

that H. R. 2446 would provide nearly 3 times as high a benefit level for twice as many beneficiaries as present programs do. In other words, administration of H. R. 2446 would cost about four-tenths of 1 percent of the tax yield, as of 1952.

H. R. 2446 proposes the simplest possible program to administer. There would be no complicated processing of wage and employment records, as is the case with old-age and survivors insurance. There would be no need (as now is the case) of special personnel to determine the amounts of benefits, since all recipients would receive equal payments. Beneficiaries would be required only to show proof of citizenship, age, retirement from gainful occupation, or widowhood and responsibility for the care of one or more minor children, as the case might be.

In view of these considerations—the simplicity of the proposed program in contrast to the complexity of old age and survivors insurance—it certainly seems that the cost of administering old-age and widows' benefits under H. R. 2446 could not cost over one third the present cost of administering old age and survivors insurance. Administration of old-age and survivors insurance was $88 million in 1952. Thus, H. R. 2446 would cost about $30 million yearly with respect to administration of old-age and widows' benefits.

This leaves the cost of administering the provisions for disability insurance under H. R. 2446 still to be estimated. As set forth in the following section of this study estimating the number of beneficiaries to be expected, there would be between 2 million and 2.4 million disabled recipients under the Townsend program. The first point is that this number of persons is comparable to the number now receiving benefits under old age assistance.

In the second place, as under old-age assistance, the provisions for disability under H. R. 2446 would require intimate investigation and periodic checking of individual cases. Disability would have to be determined on an individual basis, and in many cases periodic verification of disability would be essential, just as periodic verification of the continuation of need is essential under the present program of old age assistance.

On the other hand (in respect to the disabled as compared with the present old-age assistance beneficiaries), H. R. 2446 would be somewhat simpler to administer financially. Once authorized, benefits would be the same for each recipient. Moreover, H. R. 2446 involves only Federal funds, while old age assistance involves Federal, State, and local funds.

In 1952 old-age assistance cost $88,200,000 to administer.

The assumption here is that the disability provisions of H. R. 2446 would cost a like amount. This amount, added to the $30 million for administration of old age and widows' benefits, would bring the administrative costs of H. R. 2446 to $118 million a year, or about $9.8 million a month.

Sources of data on administrative costs

1. Source of funds expended for public-assistance administrative costs, calendar year ended December 31, 1952, Social Security Administration, June 10, 1953. This source, in table 1, gives the 1952 total administrative cost of old age assistance as $88,200,000 in 1952; table 3, aid to the blind, $4,981,500; table 4, aid to disabled, $11,833,200.

2. Senate Document No. 48, 83d Congress, 1st session, Letter From the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, the annual report of this board of trustees required by law, on page 32, table 17, gives the 1952 administrative expenses of old-age and survivors insurance as $88 million.

ESTIMATES OF NUMBER OF BENEFICIARIES

Although our research shows that Census Bureau studies of income distribution do not classify the population by age in terms of 5-year groups, their reports do deal with such broad classifications as people 55 to 64 and persons 65 and older. There are no intermediate statistics, for example, on income distribution among people who are 55 to 59 or 60 to 64. Thus, it is difficult to assess the income levels of the particular group over 60 years of age but not yet 65.

Census reports show there to be about 19.5 million persons 60 years of age or older in the United States population. In times of high employment many people would not elect to retire in the earlier years of their eligibility in view of opportunities to continue in gainful occupations providing them with much better incomes. This would be particularly true of men. Furthermore, in order to remain consistent with the maximum approach to the estimates of revenue

yield and resulting benefits, we must not adopt a high estimate of the number of beneficiaries. To do so would tend to produce a minimum result in terms of benefits. Therefore, for the purpose of this study, 14.5 million (over 60 years of age) are estimated to be the number of aged beneficiaries, under H. R. 2446, as of 1952 and 1953.

Indirect data exist with regard to widows with children. On April 29, 1952, the Census Bureau released a publication entitled "Current Population Reports, Population Characteristics, Series P 20, No. 38" which dealt with the population's marital status and household characteristics as of April 1951. Tables 13 and 14 of the report for 1951 show that there are about 4,040,000 families with female heads. Some 2,170,000 of these (54 percent) are reported as having related children under 18. (H. R. 2446 would extend benefits to widows with children under age of 18.)

Some 852,000 of these families have female heads who are 65 or older, and 160,000 of them have children under 18. An estimated 814,000 families have female heads aged 55 to 64, with 280,000 of them having children under 18.

Since the percentage of those having children naturally declines as age advances, it can reasonably be estimated that about 100,000 of the 280,000 aged 55 to 64 (with children) are between 60 and 64. (H. R. 2446 makes old-age benefits available at age 60; thus, it is necessary to arrive at some breakdown of the 55 to 64 age group in order to estimate the number of widows with children that might be beneficiaries before attaining age 60.)

There are an estimated 260,000 families with female heads 60 years of age or older with children under 18. The heads of these families, because of age, would be eligible for retirement benefits under H. R. 2446; hence this group must be deducted from the total in determining the number of women under 60 years of age with dependent children who might be expected to be beneficiaries.

Subtracting these 260,000 from the total of 2,170,000 families with female heads and children under 18, we arrive at a total of 1,910,000 families. These 1,910,000 families are headed by women under 60 and have children under 18. If for the purposes of this study it is assumed that one fourth of this group either could not or would not accept the regulations set forth in H. R. 2446 (for example, a considerable number of these women are employed and would not be willing to leave their jobs), we arrive at an estimated total of 1,432,000 women (rather than widows in the strictest sense of the word), under 60 years of age, who might be expected to become beneficiaries under the proposed program. In consideration of the indirect nature of the data upon which this estimate is based, we adopt 1,000,000 as representing the maximum of women responsible for the care of minor children who might become beneficiaries.

The following calculations take into consideration only those women who are widows.

Table 13 of the report referred to above shows that out of 4,040,000 female heads of families there are about 2,358,000 widows who are female heads of families. Some 54 percent of these have children under 18, setting the number of eligible widows under H. R. 2446 at 1,283,000. With about 200,000 of these 60 or older, thus eligible for old age retirement benefits, the number reduces to 1,083,000. With one-fourth of them not qualifying under the program, the number is further reduced to 812,000, leaving as a minimum estimate 750,000 widows under 60 who might be beneficiaries.

Although specific data on the disabled are not available, the Annual Report of the Federal Security Agency, 1952, on page 30, states, "It is estimated that, among our civilian population of working age, approximately 2 million people have total disabilities that have lasted more than 6 months. (This figure takes no account of the large number of disabled people among the 1.2 million inmates of institutions of various kinds.) Among those aged 55 to 64, probably every sixteenth person is totally disabled."

16th person is totally disabled."

It is possible under H. R. 2446 that citizens between 18 and 60 who do not now record themselves as disabled might be encouraged to do so. Therefore, an estimate of between 2 million and 2.4 million persons seems reasonably to indicate the number of disabled beneficiaries to be expected under the program.

Thus, on the maximum side, there would be a total of 18.5 million beneficiaries under H. R. 2446. The minimum would be 17.25 million. (Obviously, the maximum number of beneficiaries would mean the minimum monthly benefit, and vice versa.)

Striking a mean between maximum and minimum, we emerge with a figure of 17,875,000 prospective beneficiaries. This number is adopted in this study in the calculation of monthly benefits.

A variation of 1 million recipients, one way or another, would be reflected in a gain or loss of between 5 and 6 percent in the amount of individual benefits.

Calculation of benefits

The following calculation of benefits is based on the foregoing analyses. The estimated monthly revenue yield from the 2 percent gross income tax proposed in H. R. 2446 is prorated among 17,875,000 persons, after payment of administrative costs. It should be kept in mind that these estimates reflect the maximum approach underlying this study.

PRELIMINARY ESTIMATES OF TOWNSEND PLAN BENEFITS IN 1952 AND 1953 BASED ON AVAILABLE DATA FOR GROSS INCOME AS DEFINED IN H. R. 2446 AND H. R. 2447, INTRODUCED IN THE 83D CONGRESS

For each of the months of 1952 and the months of 1953 for which data are available (each month being individually estimated), the yield resulting from a 2 percent gross income tax and the resulting benefit payments to an estimated 17,875,000 persons (over 60 years of age who retire, or totally disabled between ages of 18 and 60, or widows with dependent children under 18 years of age) are as follows:

	2 percent gross income tax yield (billions of dollars)		Monthly payments to individuals (dollars)	
	1952	1953	1952	1953
January	$2.3070	$2.4672	$128.51	$137.48
February	2.0973	2.1377	116.78	119.00
March	2.3372	2.6182	130.20	145.92
April	2.3200	2.4635	129.21	137.27
May	2.2104	2.3931	122.55	133.33
June	2.3371	2.6330	130.20	146.75
July	2.2882	2.5136	127.46	140.07
August	1.9881	2.2138	110.67	121.98
September	2.2865	2.5003	126.25	139.88
October	2.5598	2.5454	142.49	141.85
November	2.1053	2.3766	117.23	132.41
December	2.8564	2.9284	159.25	163.28
Average	2.3060	2.4851	128.40	138.45

1951 average monthly payment to individuals, $121.18.

NOTE.—The above calculations are based upon the official business statistics published in the Federal Reserve Bulletin and upon data on population and income distribution published by the Bureau of the Census, U. S. Department of Commerce, and analysis thereof in terms of the provisions of the program proposed in H. R. 2446 and H. R. 2447.

The estimated monthly incomes to individuals are indicated above as being provided for by the business statistics for each calendar month. However, these payments would actually have become available to the beneficiaries of the program about 3 months later on the calendar, because of the administrative time necessary for the collection of funds and for the distribution thereof to the duly registered beneficiaries.

APPENDIX A

DATA RELATIVE TO AMOUNTS OF MONEY LOANED IN UNITED STATES

I. Value of new construction, July 1952 to June 1953:

	Millions of dollars		Millions of dollars
1952—July	$3,027	1953—January	$2,361
August	3,095	February	2,278
September	3,098	March	2,521
October	3,011	April	2,735
November	2,787	May	2,941
December	2,518	June	3,190
		Total	33,566

Divided by 2=$16,783,000,000

Source: Survey of Current Business, August 1953, p. S-6.

There are no data on the volume of loans in the construction industry, as such. Therefore, conclusions are a matter of judgment. It is clearly an area of business of great magnitude which should be represented in this study. With no quarrel as to anyone else's opinion that it may be greater, or less, it is here assumed that in the course of the total business procedure of the construction industry one-half of the total value of the construction represents money loaned.

II. New, nonfarm mortgages recorded ($20,000 and under), estimated total, July 1952 to June 1953:

	Thousands		*Thousands*
1952—July	$1,590,310	1953—January	$1,400,615
August	1,597,783	February	1,391,203
September	1,587,523	March	1,626,602
October	1,727,343	April	1,708,623
November	1,492,390	May	1,698,634
December	1,553,457	June	1,769,259
		Total	19,143,751

Source: Survey of Current Business, August 1953, p. S 7.

III. Under "Securities issued * * * New capital, total," the Survey of Current Business, Department of Commerce, shows the following month-by-month data:

	Millions		*Millions*
1952—July	$1,393	1953—January	$1,016
August	461	February	1,005
September	808	March	639
October	1,225	April	942
November	620	May	1,323
December	1,107	June	1,491
		Total	12,424

IV Consumer installment loans made, March 1952 to February 1953:

	Millions		*Millions*
1952—March	$833	1952—September	$814
April	832	October	871
May	927	November	789
June	907	December	1,019
July	910	1953—January	836
August	825	February	812
		Total	10,444

Source: Survey of Current Business, April 1953, p. S-16.

V. Summary: Loans, in their effect as a part of the total volume of business transactions, are a two-way affair. In the sense of being part of the volume flow of business, it must be kept in mind that loans are not only being made, but they are also being repaid. The same, long-run, overall thing is true of investments; not only are investments being made, but they are also being turned over, traded incessantly. As a general proposition, therefore, so far as the dollar volume of total business done is concerned, a fair approximation of the average weight of these two factors is double the amount of loans made plus double the amount of new capital.

The tax proposed in H. R. 2446 would not levy on the principal of loans or the principal of sums invested, either when they are issued or when they are recovered. Interest, dividends, and capital gains, of course, would be taxable gross income.

The sum of the foregoing tabulations of money being loaned and invested does not cover the true total by any means. These statistical references are, however, sufficient to indicate how very great these factors actually are in terms of being a part of total business volume which must be deducted in approaching the true tax base proposed in H. R. 2446.

These figures give the following total:

1. Loans in the construction business	$16,783,000,000
2. New, nonfarm mortgages	19,143,751,000
3. Securities issued (new capital)	12,424,000,000
4. Consumer installment loans made	10,444,000,000
Total	58,794,751,000

This total of over $58 billion represents loans made and new capital invested. As pointed out above, double this figure fairly represents the business volume made up of these activities, namely, $117,589,502,000.

In view of the above considerations, the allowance of $10 billion monthly as a deduction stands as unquestionably conservative. This is particularly obvious when it is taken into account that this figure ($10 billion) also represents the weight of "transfers" of funds by depositors from one account to another for the purposes of business convenience or procedure.

Evaluation of validity of debits to deposit accounts compared with validity of money in circulation in terms of their respective percentage relationships to the gross national product

[In billions of dollars]

Money in circulation as percent of gross national product	Percent	Gross national product as percent of debits to deposit accounts	Percent
1947 - $28.868 (MIC) ÷ $233.264 (GNP)	12.3	$233.264 (GNP) ÷ $1,125.071 (DDA)	20.7
1948 - $28.231 (MIC) ÷ $259.045 (GNP)	10.9	$259.045 (GNP) ÷ $1,219.630 (DDA)	21.2
1949 - $27.600 (MIC) ÷ $258.229 (GNP)	10.7	$258.229 (GNP) ÷ $1,231.058 (DDA)	20.9
1950 - $27.741 (MIC) ÷ $286.826 (GNP)	9.7	$286.826 (GNP) ÷ $1,403.752 (DDA)	20.4
1951 - $29.206 (MIC) ÷ $329.822 (GNP)	8.9	$329.822 (GNP) ÷ $1,577.857 (DDA)	20.9
1952 - $29.133 (MIC) ÷ $347.956 (GNP)	8.4	$347.956 (GNP) ÷ $1,692.136 (DDA)	20.6

From the foregoing it is perfectly clear that, in relationship to the basic value of business results, the amount of money in circulation (that is, outside of the United States Treasury and outside of the Federal Reserve banks, or in private possession) does not bear any fixed ratio. Therefore, its validity as an indicator of busines done is accordingly questionable. It certainly would require close similarity of business conditions and business policy before money in circulation could be considered as a closely reliable indicator.

On the other hand, debits to demand deposit accounts show a strikingly reliable relationship to actual business results. The above tabulations show the variationto be less than 1 part in 40, or less than 2½ percent. Consequently, it is very sound and reliable to predict, for example, that any occurring change in debits will reflect a corresponding change in gross national product and in other general business results.

In view of this fact, the gross income tax proposed in H. R. 2446, in terms of estimating its revenue potentialities, may be soundly interpreted in the light of debits. While there are to be found in debits great areas of business activity which would not constitute sources of revenue for the proposed tax, yet it is conclusive that these elements vary in terms of solid relationship to actual business results. Therefore, such a tax would, at a given rate of levy, produce a revenue closely corresponding to actual economic values. A very short experience in actual operation would establish a practically exact ratio between such a tax base and actual value-producing economic activities.

By means of such a revenue device, a predetermined relationship between social-security benefits as compared to general standards of income and living can be permanently established and financed on an automatic basis. This is the essence of the Townsend plan.

Mr. ELLIOTT. I would like simply to highlight and background this material in the few minutes available.

The first item of background is a series of reports that have been going on since the mid-1940's through the Census Bureau. This last one released December 31, 1953, is No. 14, series P-60 by the Census Bureau, current population reports.

Table 3 of that report breaks down the population over 14 years of age in the United States by age and income status and by sex.

This report shows that in 1952, which is the year dealt with in that latest report, the total money income of all persons 14 years of age and over, including the oldest aged, figures out to an average of one-hundred-and-eighty-odd dollars a month or nearly $2,200 a year.

By contrast, the average person 65 years of age and over, having income, remembering that slightly over 25 percent of them had no money income from any source whatsoever, but those having income averaged just a little shy of $75 a month. The average man 65 years and over having income had only $104 a month.

The average woman 65 and over, having income, had only $51.50 monthly.

Now, approximately 85 and a fraction percentage of those not having any income were women in the United States.

A bit of background for the appeal Mrs. Ford made a minute ago: On top of this, the same report emphasizes specifically that over 25 percent of the aged, those over 65, had no source of money income whatsoevr, from any of our public or private social-security programs, efforts, insurances or any other source—totally dependent people.

Now, sir, if this situation was showing any marked tendency to improve, we might have some ground for some—well, let us say encouragement in congressional legislative efforts, but the income position of the elderly is actually deteriorating.

On this point, although we have been preaching it and showing it for many years, we find this year in the February issue of the social-security bulletin, an article by Mr. Jacob Fischer, of the Division of Research and Statistics of the Social Security Administration, entitle "Postwar Changes in the Income Position of the Aged." This article shows that from 1947 to 1952 the income position of the aged declined as compared to the adult population in general. The article sets forth these facts:

While the total share of personal income received by the aged increased from 7 percent in 1947 to 8 percent in 1952, the aged population grew by 17 percent. Over the same period, however, the total population aged 14 and over increased by only 5 percent. The net result was a 31 percent income gain for the total adult population but a gain of only 29 percent for the aged. Thus the aged actually slipped 2 percent from 1947 to 1952.

Now this picture becomes very striking when we realize that in its 1950 amendments Congress increased old-age and survivors insurance benefits by over 70 percent; that during this period from 1947 to 1952 practically every significant pension and security-retirement program was liberalized, that the great field of private pensions and welfare systems grew and expanded tremendously. In spite of all of these things that were done and attempted, the income position of the aged seriously declined below the 1947 position which fundamentally was the motive, in its inadequacy, and in its serious economic tragedy, for the 1950 action of the Congress. But in spite of all those actions, they actually slipped.

Mr. Chairman, in view of this picture, we feel that there is no basis whatever for seriously expecting the proposals embodied in H. R. 9366,

the bill before you, to be of significant value to accomplish anything whatsoever more than just to prevent for a short period of time, to arrest the downhill slide of the senior citizens' income position. There is nothing in it large enough or broad enough or heavy enough to do any more than that by any stretch of the imagination.

Now, actually analyzing the situation as to what is needed, looking at this picture from the point of view as if we never had a social-security problem at all, what the difference between those conditions and the conditions that exist would be, we presented data here based upon the authentic and concrete official statistical information supplied by the Bureau of the Census and by the Department of Commerce in its larger phase, its business phase, and by the Federal Reserve Board on the financial side, coordinating them to show what is needed as a supplement to give the elderly people of today and tomorrow or any other time—what as a matter of parity-relationship, is the measure of this gap of failure that is visited upon our senior citizens when they reach those stages in their lives.

And we wish to point out what, as of 1952, the theoretically exact figures of that year would have been; that in order to be living on an equal income standard as individuals, with the overall of the adult population going from the early teenagers up, they would have needed as a group of people, those over 65, $1,043 billion a month more than they had.

Our benefits under OASI and OAA combined totaled in 1952 just about $259 million a month and were a part of the registered income of that year.

As an illustration of how far off we are from the solution, or anything closely resembling the solution of this problem, we wish to point out most sincerely as a matter of principle that if we allow to continue, in the face of this ever-growing proportionate weight of the elderly people as a part of our total population, if we permit to continue this process of the destruction, the deterioration of the income and living standard position, the customer position of the citizen of this country upon reaching old age or encountering disability, or of the family encountering the loss of the breadwinner, all of which conditions bring on the same identical, severe, economic income depression to these people as old age does; if we allow this destruction of the purchasing power of the ever-increasing percentage weight of the mass of flesh and blood and hearts and souls of customer weight in this country, we are never going to balance our economy except through the attacks of our enemies generating the necessity for the great employment power of war machines.

Everything we do is going to be brought to naught unless we can bring to a halt this inherent destruction of the demand power in our economy because a customer must be a person as well as a lump of money.

There must be need, and we have plenty of that; but that need in the name of families and people must also be financed or there is no customer, there is no market.

And here we are again despite the fact that we are carrying on, outside of outright total war effort, the greatest military effort in the history of our Nation, despite that, we have major surpluses. Our great problem is surpluses. We hear the repercussions of unemployment, for months and months now, for the best part of a year again, and it

cannot be stopped in a substantial way as long as we allow this continued destruction of citizens' purchasing power upon reaching old age, encountering serious disability or, in the case of families, encountering the loss of the principal breadwinner. That is our picture; that is our cause; that is our critique.

We submit the recommendations that are possible within the framework of 9366, that the Senate seek to amend it in an upward and expanding direction: First, to bring in all the people who are citizens of this country, at least under the minimum provisions of it; to expand the minimum provisions of it as drastically as possible—that $30-a-month minimum that is now in the bill is clearly ridiculous in the face of the facts and the needs of the country as well as the people; to take off this earning-limitation feature that would limit them, through their own efforts, where they can, in approaching the currently adequate standard of living; to lower the retirement age to 60, because this inferior position of the elderly people over 65 is so drastic that that danger and that problem obviously visits many, many people in this country long before they reach 65, sir.

Those amendments as far as they are possible within 9366, in this direction, we most sincerely and urgently recommend and beseech of the Senate, sir.

Senator CARLSON. Mr. Elliott, we appreciate very much the statistical information you have given this committee. It will help in determining the policy of the committee.

We appreciate your appearance.

Doctor, if that concludes your witnesses, I want you to know it has been a pleasure to have you with us this morning.

The next witness is Mrs. Agnes G. Shankle, National Pension Federation.

STATEMENT OF AGNES G. SHANKLE, THE NATIONAL PENSION FEDERATION, INC.

Senator CARLSON. Mrs. Shankle, we are happy to have you with us here this morning, and you may proceed in any way you care to.

Mrs. SHANKLE. My name is Agnes G. Shankle (Mrs. Daniel C. Shankle) and I am representing the National Pension Federation, Inc., a national group with headquarters at 945 Pennsylvania Avenue NW., Washington, D. C. I am secretary and treasurer of the federation and the editor of the National Pension Guide. Some of you are undoubtedly familiar with the Guide as we mail it into Congress. Our federation, formerly the General Welfare Federation of America, Inc., was headed by Arthur L. Johnson and Thomas E. Boorde, who is now recovering from a long illness and operation. Our federation has been advocating more realistic benefits for our old folks for 17 years. Today many Americans over 65 years of age are living under heartbreaking circumstances. Many of the younger generation regard their elders as burdensome liabilities.

The population of aged has doubled in the past generation. According to long-range statistics there will be a further increase as the years go by. Four out of five of our senior citizens do not have sufficient funds to meet the necessities of life and are dependent upon relatives or charity. Our Congress alone can remove the stigma of being an unwanted member of so-called civilized society.

It is fast approaching the close of the 83d Congress. It is too late, we presume, to make any appreciable changes in the so-called social-security system—changes which were forecast as inevitable when H. R. 6000 was under discussion in the 81st Congress following which Senate Resolution 300 was introduced by Senator Millikin, your present chairman. This resolution provided for a complete study of social security and pay-as-you-go systems, in particular, and allotted $25,000 for the proposed studies.

We are suggesting that H. R. 9366 be amended so that it will at least provide benefits more realistic in the light of today's living costs than are proposed in the administration bill. The general purpose of the bill is deserving of support. While it is true that millions of Americans will benefit to some extent from its amendments, we submit that it is a program designed for part of the people and that is not good in any society.

COVERAGE AND EXCLUSION

Our federation has for 17 years advocated universal coverage. Bringing into the program of 10 million people who were formerly excluded is a big step forward, but this bill does nothing for a group of people who are not eligible under either the OASI or OAA programs.

Concern for these unfortunate people was expressed again and again in the social-security hearings before the Ways and Means Committee in April. Arguments which could not be disputed were presented by members of the Ways and Means Committee and subcommittee members who were appointed to make an exhaustive study of the Social Security Act.

You are undoubtedly familiar with the facts and figures brought out in the hearing. It was clearly shown that thousands of people are receiving OASI retirement, some of them the maximum of $85 per month ($127.50 per couple), who have contributed only a few dollars to the fund.

We beg that you give consideration to an amendment that will make some provision for the group who have helped to make our country the greatest in the world. Indirectly, these folks are paying for the other fellow's pension because certainly the employers' part of the tax is passed on to the consumer.

CURTISS BILL

The bill, H. R. 6863, introduced by Carl T. Curtis, Nebraska, who headed the subcommittee appointed by Representative Reed to make an exhaustive study of social security, was based on his knowledge of the very minimum-need requirement of our old folks coupled with his years of experience. His bill calls for a minimum OASI pension of $45 per month. The excluded group, for whom no provision is made in the administration bill, are taken care of in the Curtis proposal, as are all of those who are now under old-age assistance.

It was brought out many times in the hearings that the man now retiring does not pay for his own benefits. This also applies to those who have already retired. The late Senator Taft made this very plain in Senate debate on H. R. 6000, the first Democratic amended administration bill.

We submit that if the floor or minimum pension were $50 per month Federal contributions for old-age assistance could be practically withdrawn, which would be the greatest blessing and social-security advancement that this country has ever known. There are 22 States whose old-age assistance payments are under $50 a month. Only 3 States pay less than the minimum OASI retirement proposed in H. R. 9366—Alabama, Mississippi, and Virginia. The North Carolina average is $30.47. As the Federal Government now pays $35 out of every $55 OAA grant and the State pays only $20, why is it unreasonable to provide a $50 floor for those under OASI and include OAA recipients as well as the over 65 ineligibles? It is unnecessary for me to tell you gentlemen anything about the hardships of those under the caseworker system, with its humiliating means test. Millions of letters have flooded the Congress which tell their own story.

WORK CLAUSE

According to figures released by the Department of Health, Education, and Welfare, 7 out of 10 beneficiaries and half of the couples who are drawing social-security benefits either have no outside income or have less than $75 a year. H. R. 9366 has increased the amount of earnings permitted after retirement from $900 to $1,000 per year. This certainly is insufficient to meet the cost of necessities. It could almost be termed "planned poverty" for millions of workers. We submit that social-security benefits are not exactly charity, although it is a discriminatory program. The work clause is really a means provision, and in our opinion it is unconstitutional. Millions of words have been written protesting the limitation on earnings. It is discriminatory because this provision applies only to earned income. A man may collect his rents or his dividends and he is not restricted as to the amount of income derived from these sources. He is not deprived of his social-security benefits. The law, therefore, discriminates against those who work for a living. Such a law fosters dishonesty and it really cannot be enforced, particularly where it relates to self-employment.

DISABILITY

It is only just and fair that workers be given the protection of a freeze-disability provision. However, if a person under OASI is totally and permanently disabled, that is, if he cannot be rehabilitated so that he can return to work, we recommend that the OASI benefits which would have been paid at retirement start after the determination of his disability, regardless of his age.

OTHER INEQUITIES

Several complaints have come to us from those in the low-income group whose wives did not receive half of their benefits at age 65. There are probably actuarial reasons for this apparent discrimination.

A man wrote that he was receiving $49.50 social security retirement, and he thought his wife should have received half of his pension or $24.75; a total of $74.25 for the couple. They received only $72 or $2.25 less than his expectations. The reason for this is that the present law limits his retirement to 80 percent of his earnings.

The man himself receives all increases, but his wife's share is adjusted accordingly. The wife cutoff procedure starts at the $100 per month figure where the retirement is $55. They would be eligible to receive $82.70 OASI benefits, but actually they receive only $80 per month—$55 plus $25, or a cut of $2.50 in their expected retirement benefits, and this $2.50 means a lot to thousands of our senior citizens.

$30 MINIMUM

We have tried to show the inadequacy of the proposed minimum $30 pension. We have also shown that thousands of old folks are dependent solely on their social security retirement—they have no other income. Therefore, many in the lower brackets are forced when they cannot make ends meet to apply for old-age assistance to supplement their meager dole. Thus, assistance rolls continue to grow. The amount of the OASI pension in such cases is deducted from the allotted assistance grant—in other words, just confiscated by the State. The State is usually richer, therefore, by the deal.

On May 26, Secretary Hobby in Astoria, N. Y., addressed the annual Republican State dinner. She said:

> Social security is a very personal thing. For millions it spells the hope of independence in their later years. It provides other millions with the assurance that in the case of the death of the breadwinner money will be coming in to help keep the home intact.

With the average OASI pension less than $55 per month, the present social security benefits spell hopelessness in the hearts of millions of Americans. As folks grow old, they have the same needs as they had in their younger days plus a few extra ones. They need adequate food, shelter, and clothing; and because of their age, many require more medical care than in their youthful years.

CANADA

Mr. Chairman, in other countries which are not as rich nor as productive as ours, a national pension is granted as a matter of right. Canada, for instance, experienced no great difficulty in changing her welfare system over to a dignified pay-as-you-go system.

Dr. George D. Davidson, Canadian Deputy Minister of National Welfare, was one of the principal speakers at the American Public Welfare Association's 3-day convention last year. Dr. Davidson complimented highly developed countries such as ours for the part they are playing to promote the establishment of adequate health and welfare services in less favored portions of the globe, thus giving a broader concept of public welfare to millions of people as one of the fundamental features of our western democratic society.

He said that public welfare should be "a constructive thing, not just a poultice on the festering sore of our industrial system."

Dr. Davidson declared:

> We must pay collectively for the progress we make in our urbanized, industrialized way of life.

There, gentlemen, you have the voice of experience. A national pension has worked in Canada.

HOUSE MEMBERS FAVOR LIBERAL AMENDMENTS

Many members in the House objected to H. R. 9366 being presented to them in a sealed package under a closed (gag) rule. They expressed the hope that the Senate would liberalize the bill. Representative Granahan, Pennsylvania, aptly expressed the only good purpose of the 3-hour debate. He said:

Since the bill before the House today has been brought out of committee under a rule prohibiting amendments from the floor and giving the House only the alternatives of passing or rejecting it, our comments today can have no influence on the legislation except insofar as they reflect to the Senate the real sentiment of many of us here in the House.

NATIONAL PENSION—UNIVERSAL COVERAGE

If OASI and OAA were converted into a single system, and our senior citizens or long-time residents were given retirements to cover their basic needs, our national economy would be strengthened, production would increase; there would be an era of prosperity in our country such as has never before been enjoyed. Our senior citizens would enjoy better living conditions; unemployment would be reduced to a minimum.

Representatives Lane, Massachusetts, Tollefson and Westland, both of Washington, have introduced identical bills, H. R. 1041, H. R. 4230, and H. R. 4421, respectively, for our federation, calling for a straight national pension of $100 per month for qualifying citizens over 65.

The adoption of a national pension would eliminate extended and complicated bookkeeping of fantastic proportions. In 1953 the total cost for the administration of the OASI program was $91 million. There are now 48 million persons working in jobs covered by social security. Adding the accounts of another 10½ million, who under H. R. 9366 would now be covered, we would have over 58 million accounts which would have to be computed individually on the basis of earnings.

SENATE CAN AMEND

If the Senate will rectify even a few of the inequities which abound in H. R. 9366, by amendment, we believe the House will gratefully follow your leadership.

We thank you for the privilege of giving our views on one of the most important issues of our times.

[From National Pension Guide, Washington, D. C., June 1954]

FAITH . . . HOPE . . . WORK . . .

Millions of Americans are terribly disappointed that the words of our esteemed President Eisenhower, expressing sympathy for the plight of the old folks, and admitting knowledge of their pitiable condition, were not backed by an administration bill which would offer some measure of comfort to millions of our senior citizens.

President Eisenhower said, "Seventeen years after Congerss passed the social security law, we know today there is real privation among many of our older people * * * and that far too many Americans are obliged to live too close to the margin between enough and less than enough."

If the amended House bill passes the Senate, and with the President's signature becomes the law, there will be just as many old folks as there are now, who will be living in real privation—old folks who do not have proper living conditions, enough to eat, or proper clothing to wear.

The meager little $5 increase so grudgingly handed to thousands receiving the minimum OASI retirement benefit, will melt into thin air. Thirty dollars a month retirement is a mockery to the American way of life.

Secretary of Welfare Hobby recently said, according to the Associated Press, that the benefits proposed in the administration bill "mean a better life for all citizens—now, and in the generations to come." And that it would increase "the individual's sense of personal dignity and worth in a free society."

Fine sounding words. But the increases granted to those now on retirement, if the bill becomes a law, will certainly not add any measure of dignity to any individual's way of life.

But we can hope. Can't we? We can have faith that in one Congress, recognition will be given to the needs of the old folks. Not in fine sounding words and phrases; nor with a gag bill pressured through with an iron hand. Some day the majority in Congress will say, "We are unjust in our treatment of our old folks. We have waited too long to give them the necessities of life." Then, and then only, will a national pension come. Action must follow realization if those in power are really sincere.

We have worked for 17 years for a national old pension. We know it will come. Perhaps all of us can find comfort in our discouragement by remembering the perseverance of a great man, President Lincoln.

Abraham Lincoln failed in business in 1831, was defeated for the legislature in 1832, failed in business again in 1833, was elected to the legislature in 1934, lost his dearly beloved sweetheart by death in 1835, had a nervous breakdown in 1836, was defeated for speaker of the State legislature in 1838, was defeated for elector in 1840, was defeated for Congress in 1843, was elected for Congress in 1846, was defeated for reelection in 1848, was defeated for Vice President of the United States in 1855, was defeated for the Senate in 1858; but, he was elected President in 1860. (Builders.)

Dear Senator

The administration social-security bill, as amended, H. R. 9366, is now in your august body for consideration.

As you know, the Members of the House had no opportunity to study or amend the bill. It was presented to them in a sealed package under the closed (gag) rule, the morning it arrived from the printers. It was theirs to accept or reject in its entirety—take it or leave it—after a 3-hour debate. Of course, there were protests.

The Senate is privileged to review the 122-page bill, with its 100-page report, and we urge that you keep in mind the background upon which this bill is supposed to have been written.

Social security was on the first list of musts in the early days of the present Congress. It was struck from the list because an exhaustive study was deemed necessary before intelligent action could be taken on constructive legislation by the Congress.

A subcommittee was appointed, with Carl T. Curtis, Republican, of Nebraska, chairman. $100,000 was allotted for the study and investigation. Subcommittee hearings were held and eight volumes of data were compiled. An interesting interim staff (assisting the subcommittee) report has been released.

Two weeks of hearings on the administration (Reed) bill, H. R. 7199, were held in April. An 885-page book of testimony has been compiled from the hearings. The Ways and Means Committee met in executive sessions, made several amendments, and the bill emerged in a new dress, as H. R. 9366.

Mr. Senator, we are asking what relation the subcommittee $100,000 study and investigation bears to the administration bill, now, H. R. 9366? So many studies have been made on the social security issue; so many volumes have been printed, but, we fear, few have ever been considered, or even read, by those for whom the studies were made.

We recognize the fact that there are many improvements in H. R. 9366 over the present system. But there is no relief for the millions of citizens chained under the case-worker system, with its humiliating means test—yes, old folks who are virtually prisoners of the State. Is there no other way to care for our elders who are in need, except under the stigma of "second-class citizens"?

Then, no provision has been made for the group who are not eligible under either the OASI or OAA programs. Does not this group deserve some consideration? They are indirectly helping to pay for everyone's pension but their own.

Some of us for years have been advocating universal coverage and more liberal benefits. But increasing the minimum OASI pension from $25 to $30 (and this $5 increase goes well up the board) does not make sense in the light of today's living costs.

The "work clause" has been liberalized—but less than $2 per week. Is it fair that one's earned income be restricted to $1,000 per year without sacrifice of OASI retirement?

It was brought out time and again in the April hearings that no one who receives an OASI retirement pension really pays for it. Practically all beneficiaries are receiving gratuities. Under the new bill discriminations will continue, and to a great extent.

All of the points we have brought to your attention are clearly brought out both in the subcommittee and Ways and Means hearings—as well as in the only available staff committee report.

If the Senate will rectify even a few of the inequities, by amendment, we believe the House will gratefully follow your leadership. Our own recommendation, of course, is a national old-age pension with no strings attached to it.

Respectfully yours,

NATIONAL PENSION FEDERATION, INC.

OUR BILLS

H. R. 1041—H. R. 4230—H. R. 4421

LANE-TOLLEFSON-WESTLAND IDENTICAL BILLS

These bills would amend the Social Security Act to provide a direct Federal pension of at least $100 per month to all Americans, 65 years of age or over, who have been citizens 10 years or more, to be prorated according to the cost of living as on January 3, 1953.

The act, to be known as the National Pension Act, guaranties payment of at least $100 per month, upon application and approval, to qualifying citizens over 65 years of age.

There will be no restrictions on earnings after age 65.

Pensions will not be taxed and may not be transferred.

Congress shall raise and appropriate the necessary funds to carry out the provisions of the act which becomes effective 6 months after its passage.

ADMINISTRATION BILL

The highlights of the administration (Reed) bill were printed in the April Guide. After the bill passes in the Senate and is signed by the President, we will give a further brief summary.

The bill, now H. R. 9366, was presented to the House Members on June 1, under a closed (gag) rule. Three hours of debate was permitted, but all the debate and argument in the world could do no good. No amendments were permitted to be made.

Many representatives protested this ruling, because the bill is such an important one and affects so many people. They did not relish accepting the bill in its entirety—the good with the bad. But, because it was another step forward, most of them did vote for its acceptance.

Representative Lyle, Texas, had a lot of agreement in his statement which follows: "* * * I think it is wrong: 435 intelligent men and women elected by the people, disfranchised by their own vote on this rule, throwing up their hands and saying, 'We cannot pass intelligently on this legislation unless you permit us simply to say yes or no.'"

Representative Jenkins, Ohio, said that nobody is surprised at the fact that many of the Members did not understand the bill thoroughly. "It is so complicated," he explained, "so wide in its application and variations, that it is difficult for anyone, I think, to understand it thoroughly." Mr. Jenkins is on the **Ways and Means Committee.**

Would Mr. Jenkins imply that the Senate has more intelligence than the House? The Senate will not be gag bound.

A 122 page bill with a 100-page report would require some study, but if the Members could recite the bill verbatim, their knowledge and understanding would still be useless. There are 50 pages of debate printed in the Congressional Record. Many Members would have liked more liberal benefits, but voted "aye," because the bill will give half or quarter of a loaf to millions of Americans.

Mrs. Sullivan, Missouri, expressed the sentiment of many when she said, "The slight increase in the amount of outside income a man can earn without losing his social-security payments is another inadequacy in this bill. How can people live on social security? What we say to a beneficiary is, in effect: Here is some money on which you are to exist. We realize it is not enough. But if you go

out and earn some money—if you earn over $1,000 per year—we will reduce your payments accordingly."

Mrs. Sullivan said she would be grateful if the Senate liberalized the bill. This sentiment was endorsed by others, and Congressman Granahan, Pennsylvania, aptly expressed the only good purpose of the debate. He said, "Since the bill before the House today has been brought out of committee under a rule prohibiting amendments from the floor, and giving the House only the alternatives of passing or rejecting it, our comments today can have no influence on the legislation except insofar as they reflect to the Senate the real sentiment of many of us here in the House.

OLD-AGE ASSISTANCE

Many representatives expressed deep concern that those now under old-age assistance will still be under the case-worker system. Congressman Boggs, Louisiana, brought out the need for universal coverage. "Otherwise," he said, "we will have as long as we live the system of old-age assistance * * *

"This means that a person over 65 must go to a local welfare office where that person certifies to poverty, and upon investigation of a social worker * * * of the State in question is either put on the assistance rolls, or is not put on * * *"

Our good friend, Congressman Lane, Massachusetts, put in a few good plugs for the old folks. He said, "We must remedy the weaknesses in our own society before we c t win the allegiance of others to freedom's way. * * * It seems to many of us that the minimum should be much higher, so that good people will not have to go begging for public assistance which makes a mockery of social security.

"No society that rewards the bold with fortunes, and reluctantly gives a $30 bone per month to the laborer or the farmer whose working days are over, is in a position to meet the challenges of this century."

Congressman Neal, West Virginia, concurred with Mr. Lane, when he said, "The real need for relief is for that class of old and disabled persons who have no property nor any responsible relatives willing and able to make homes for and to properly care for them. It is one of the greatest tragedies of our social system that such a large number of these people live in slums and go half starved because of the pitifully meager relief allowed."

INCLUDE ALL

Congressman Curtis, Nebraska, who headed the subcommittee study, said that the present bill corrected some inequities, and that much in the bill was good, but he argued, "If it is true that for every dollar paid in by a person in this generation he will get out $3, then why should five-sixths get the benefit to the exclusion of the other one-sixth? Indeed when our social security subcommittee made its studies, we found that most of the inequities in the social-security system, arose from the fact that five-sixths were in and one-sixth were out."

Congressman Byrnes, Wisconsin, who fought so hard at the April hearings to get recognition for the group now ignored completely, said, "As I view it, one of the biggest defects in the present program is that it affects only part of our people. Government programs should be applicable to all of our people, not just to selected groups. * * * This program will remove many of the inequities and problems created by the present system of partial coverage. * * *

"There will still be one large group that will be ignored. I speak of today's retired aged. * * * Of all the people, they have the greatest right to our consideration and attention. In the name of all that is honorable and just, please let us not ignore those who have contributed so much to the greatness of this Nation and the benefits which we today enjoy—our aged people. * * *

"I hope that the Senate will see the justice and equity of my proposal (Congressional Record, May 20, p. A3749), and will include it in the bill."

And so it went.

A lot of Representatives thought the bill was just wonderful, and gave much credit to the administration for such a liberal piece of work. The Democrats responded that they had a similar bill in committee, which was more liberal, and introduced long before the administration consultants made any studies.

SECRETARY HOBBY GETS FULL CREDIT

Representative Reed, New York, gave a short analysis of the bill to the Congress. He said that with the convening of the 83d Congress, many basic

studies were undertaken with respect to social security. However, it was not even mildly suggested that any consideration was given the findings of the subcommittee with its investigating staff's report.

Mr. Reed said, "The consultants on social security, appointed as an advisory group by the distinguished and gracious Secretary of Health, Education, and Welfare, the Honorable Oveta Culp Hobby, took a comprehensive reexamination of our social-security laws. This consultant group submitted a report to the Secretary setting forth recommended changes and improvements in the existing law."

Secretary Hobby and her appointed consultants acted entirely independently from the subcommittee appointed by Congressman Reed, who were first authorized, and allotted $100,000, to make an exhaustive study of social security.

$100 Gift From Local 801, AFL, Camden, N. J.

It was with deep appreciation that we recently received a gift of $100 from the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers, and Helpers, Lodge No. 801, AFL.

Their letter follows:

Mr. Brad Thurston,
National Pension Federation, Washington, D. C.

Dear Mr. Thurston: I am pleased to forward to you a check in the amount of $100 on behalf of this local's legislative committee.

I might say the officers of this local appreciate the continuous fight that your organization has conducted over the years for the benefit of the aged of this country. It's a pity that more organizations do not recognize the importance of your action.

If however, in the future there is any way in which we can assist you, don't hesitate to write.

I am,

(Signed) Thomas W. Saul,
Executive Secretary.

Grandmothers Off to Bermuda

Under the capable leadership of Mrs. Rose Dyvig, president of the Grandmothers' Club of Chicago, a group of 65 grandmothers are taking an exciting vacation trip to Bermuda. Mrs. Dyvig is the chairman of our federation's national advisory board.

It was a joy to meet this group in Washington, where they spent 2 days in sightseeing. Energetic, bubbling with enthusiasm, comely and gracious, it was hard to believe that this group of attractive women could possibly qualify as grandmothers. No longer do grandmothers stick to their knitting—they are taking active part in the world's activities.

Several Members of Congress had pictures taken with the group on the Capitol steps. We wish we had room to publish the large picture of the lovely ladies.

Mrs. Olga Gloede, one of the group of happy vacationers, is the treasurer of our Chicago Pioneers, NPF Club.

Because of illness, neither Dr. Boorde nor Mrs. Irvel Prosperi could meet with the group to their deep regret.

Our Orgy of Spending on Foreign Governments

(By Hon. Usher L. Burdick, of North Dakota, in the House of Representatives)

Mr. Speaker, if you do not think the one worlders and the internationalists have finagled this country into a mess at the taxpayers' expense, read the following: From the years 1946 to 1953, inclusive, we have spent for foreign military aid and programs, including the activities of the United Nations, the sum of $47,793,685,385. Remember the first two figures are billions. At the same time, during this period through grants-in-aid checks, to individuals, including veterans of World War II and the Korean so-called police action, the people of the United States have received $32,696,160,427. In other words, we have spent on foreign governments over $15 billion more than has been expended here including our

own defense and the abortive action in Korea and all soldiers' pay and hospitalization.

Ask yourselves, what have we gained? We started out to establish world peace and arrest the spread of communism abroad. Peace is not as near as it was when World War II ended, and the Communists have spread out all over Asia. Wars are still raging in spite of the great plan of the United Nations to bring about peace. Members associated together in the United Nations cannot agree among themselves; and, with the veto power lodged with Russia, there is no possibility of peace unless it is a Russian peace; yet we doggedly stick by the Organization and keep on draining the cash out of the pockets of the taxpayers.

During the last year of the Truman administration we spent on foreign governments $4,595,477,000, and the people thought it was time for a switch from this procedure. The Republicans were going to change this squandering of money, but what happened? In the first year of the Eisenhower administration we spent on foreign governments $6,330,000,000, or nearly $2 billion more than Truman spent.

I have never taken the position that we should withdraw from the world and hide our head in the sand, but have tried my best to keep this country where it remained for 150 years, dealing with all countries in a spirit of friendship.

I make no apology for standing up for our own country and trying to persuade Congress to direct this Government without the everlasting interference with one worlders who think we have been called to direct the affairs of the entire world.

The above figures prove my case, and I submit them for the purpose of letting the people know what is going on.

This Is America

Mr. A, in Pennsylvania, tells us that he receives the minimum social-security pension of $25 per month, and his wife half of this amount. Neither of them is in good health, and there are doctor's bills every month. Mr. A is 75 years old; his wife is 73.

Mr. A says: "I am not like some people who think that our Government should support us. I have always worked since I was 12 years old and have helped others, when perhaps I should have been laying by for myself. I worked until my health broke down.

"We have had some bad breaks and have gone through a lot of trouble. If each of us could receive $50 a month, we could take things a little easier. With our poor health, neither of us will be social security's liabilities very long.

"We don't know what a piece of beefsteak looks like. I buy wheat from the farmer, brown it, and grind it in place of coffee.

"I am not looking for pity, but I do believe that with all of the taxpayers' money our Government has squandered, our own old people should have a break."

Senate Hearings

We have just been advised by the Senate Finance Committee that hearings will be held on the amended social-security bill, H. R. 9366, starting June 24, and that our federation will have the privilege of testifying before the committee on July 2.

We appreciate this opportunity, and will attend as many of the hearings as possible. The Senate still has the power to liberalize the bill by amendment. Time is running short.

Michigan

Mrs. Elizabeth Reamer, secretary, Liberty, Grand Rapids Club, has advised us of the death of the president, Clarence Brainard, of the Chesening, Mich., Club. We know that he will be missed by his many friends. Mrs. Reamer included in their club contribution a gift from the Chesening Club, through its secretary, Mrs. Elizabeth Deitering. We wish to thank them for their gift, and to invite them to join with us in our national movement.

PENSIONS—A MATTER OF RIGHT

(By Thomas B. Wood, president, Idaho Pension Union, Inc.)

The recent action of Congress radically increasing its own pensions points up to the fact that it realizes the growing importance of protection during years of retirement and old age. This is perfectly justifiable. However, what is unjust and indefensible is the fact that Congress, although raising pensions for its own members, persists in refusing or neglecting to act on the question of a national old-age pension to apply to all Americans of pension age, millions of whom are desperately in need of protection in old age. * * *

Private pensions and old-age and survivors insurance programs are beneficial to an extent and we favor them, but they cannot take the place of a national old-age pension based upon right, with the complete abolition of the humiliating, medieval means test as a requirement for old-age assistance.

Countries much poorer than ours, both in resources and industrial development, have enacted old-age pension legislation based on right (Canada is a recent instance), while we continue to force our needy seniors into a position where, as public recipients, they have no legal status; continue to force them to take a pauper's oath, in effect, and to accept a dole which may be diminished or even altogether cut off at the whim of the various State legislatures.

This condition is a disgrace to America and to any Congress which permits it to exist.

We favor generous pensions for Congressmen, but only as a prelude to speedy enactment of a Federal old-age pension of not less than $100 a month, payable to all Americans of pension age * * * and as a matter of right.

(EDITOR'S NOTE.—The Idaho Pension Union is backing bills introduced by Congressmen Lane, Tollefson, and Westland, H. R. 1041, H. R. 4230, and H. R. 4421. Many States are now joining the national movement.)

QUICKIES

If the date on your Guide is red-circled, your subscription has expired. Please renew promptly.

Your club may take a month off in the summertime, but our expenses go on as usual. Please check accounts and pledge summer support to your national office. Thank you.

DR. BOORDE

Dr. Boorde, our executive secretary, is slowly convalescing from his long illness and operation. However, he is still unable to take any active part in our program. His home address is 2700 South Ninth Street, Arlington, Va. We are hoping for his full recovery. Perhaps a few cards would cheer him on his way to health.

NEED MORE MEMBERS?

H. A. Bittner, a member of the Masten Golden Age Pension Club, Buffalo, N. Y., writes that it's no trouble at all to build up a large and flourishing club—if you go after what you want in the right manner.

They use the personal and want ad columns in the daily newspapers. A recent ad read, "Wanted: 500 men or women to help promote a national pension for all people over 65 years of age. Come and help us bring this about." Over 80 people attended their last meeting. They expect a membership of over 200 by the end of the year.

Another member of the Buffalo club recently inserted a short letter in the daily paper, asking everyone over 65 to write to his Congressman urging him to support legislation for a national old-age pension. Our federation was mentioned along with the substance of our bills.

More than 40 replies passed through our office alone. All were answered by us, and many were helped with social-security problems. The letters were then sent to the proper Congressmen for their information and attention.

We suggest that when letters are sent to newspapers by clubs or individuals, the letter request that if replies are sent through our national office, 25 cents be enclosed to take care of expense and sample Guides.

L. Everett Guest, New Jersey, in a newsletter telling about our work, suggested that with their letter of inquiry, $1 be enclosed for a Guide subscription. We received many subscriptions from this newsletter.

Folks are interested in a national pension, and would be willing to join your efforts, and ours, if they knew about the work.

IT'S UP TO YOU

Several clubs have written asking that we continue our work at the national office.

We know that a national office for a pension group is almost a necessity. Thousands of letters and petitions have gone through us to the proper Congressmen. Many personal and telephone calls have been made by us in the interest of a national old-age pension.

We have made many friends on the Hill. They respect our federation. We know that the idea of a national pension is growing in popularity, both with Congress and with the public.

Our Guide goes into the Congress while they are in session. It is our silent lobby. It represents you, and your cause.

But—we cannot maintain a national office without funds. Our only support is through our clubs, Guide subscriptions, individual and loyalty contributions.

Talk this over with your members. Are you with our national effort? Shall we continue? It's up to you.

LETTERS

We are quoting from a few letters sent to us direct and from copies of letters, the originals of which were sent into Congress. Hundreds of letters are coming to us protesting the inadequacy of the administration bill. Petitions signed by hundreds of persons from Washington State have been passed on to Congressmen Tollefson and Westland.

C. W. Windover, Liberty Club No. 2, N. P. F., Grand Rapids, Mich.: We are thinking of you folks—and often. We appreciate the work you are doing in behalf of the old folks. If more of our Congressmen thought along the lines of our Founding Fathers, when they wrote our Constitution and its preamble, we would have a different condition today, and our old folks would not be on a slow starvation dole. Perhaps, though, it is an honor to starve in the richest Nation of the world.

The attitude of the administration seems to be, "Well, let them starve, just so we can continue to send billions of dollars to foreign countries!"

This is an election year and we are going to have a lot of promises to the voters. The wrong in our country continues to exist because promises are not made good, and those elected do not strive to put their ideals into practice. If actions took the place of words in Congress, our old folks' misery would be changed to comfort. It would no longer be a land of "foreigners preferred!"

The men we elect to Congress must have wisdom and mercy and the well-being of their constituents at heart. May God bless those who are honestly striving to do a good job for their country and who are sincerely concerned with the welfare of our people.

We need strong men and women in Congress today, and it is our duty—your duty and mine—to elect the right men, regardless of party. It is the privilege and duty of every citizen to direct attention to false statements and promises. How long shall we continue to give doles in our social system? How long shall the poor be oppressed by the humiliation of the caseworker system?

Let's continue to work, in faith, for a national old-age pension, and let us elect a Congress of strong men, who will stand for what they know is right. Justice and reason will prevail, if all of us do our part.

Quotations from letter to Hon. Harold C. Ostertag (Republican), New York, by Earl W. Gage, Jamestown, N. Y.: As a fellow New Yorker, I wish to thank you for the interest you have been taking in improving the condition of the many millions of aged folks who anticipate simple justice at the hands of a Republican-led Washington. * * * Only a minor fraction of all the aged who receive checks each month receive sufficient sums to comprise either an American social system or economic security. * * *

In 1952 the candidate, and practically all of the men running for Congress promised the people early improvements in the law. Yet, months have passed, characterized by the same doubletalk inactivity, which we knew so well all through the New Deal years, while billions of our tax money was sent abroad in futile fakery, of buying friends and making America safe. * * *

I have noted some time ago that Congress did have time to give very brief consideration, and pass a most liberal retirement act for Congressmen and Senators—with their wives. * * *

During the last decade, more than $2 million of the taxpayers' money has been squandered by one committee after another to investigate social security, with the promise that a revised, improved and more just law would follow. Yet, the hodgepodge passed 2 years ago is full of inequities. Surely, if Members of Congress were the participants, as they should be, in social security, they would soon see that these injustices were corrected. If the social-security law is good for the people, why is it not good for the Members of Congress?

Why should Congressmen assume a different attitude with respect to their own pensions than when they adopt a program for the aged Americans who are voters and taxpayers?

The President and a committee of Congress have offered a mixture of constructive, yet inadequate proposals, to amend the Social Security Act. How anyone can propose to give the puny handout of $30 per month to an aged person and still keep his face straight is beyond human understanding. Yet, this is one of the great liberal proposals resulting from months of study by highly paid consultants.

Why should a man be limited in earning any sum after retirement? Mr. Ostertag, you have cut out a real job for yourself in seeking to improve social security, but I trust you will win at least part of the high ideals you have set up. It is time that Congress acts in behalf of the people.

From Santa Cruz, Calif., Social Security Club (NPF).
To Hon. Daniel Reed—From Edward Preston, president.

As president of our local Social Security Club, numbering more than 100 members, I respectfully take this opportunity to express the growing sentiment in our organization toward the lack of action by the administration on the promises made regarding social welfare legislation during the presidential campaign more than a year ago. * * *

We, together with millions of other senior citizens, feel that one of the most important obligations of our Government is to make more liberal provisions for the aged fathers and mothers of America.

Countless numbers of these good folks voted for the Republican Party because they were led to believe that the promises made would be fulfilled. * * * Our people are rapidly losing all faith in this administration. * * *

We note that final action has been taken on the matter of pensions for Congressmen. Now, what about doing something humane for the millions of underprivileged who put those Congressmen in office—and how about doing it now?

From A. T., Kansas: Some of us got a raise (small) this month. * * * I wish I did not have to be on State welfare (OAA). As it is now, we are just on charity, and get so many slams for living off the taxpayers' money. It surely hurts.

It doesn't look as if Kansas, or Ike will do much for the old folks. I am grateful for my check. I know there are some States who do not give as large a grant as Kansas does, but many treat their old folks far better. But, better or worse, it is the way they make you feel when you are under "welfare." Will the day ever come when we will get an outright pension?

Mrs. G. P., Angelica, N. Y. (to Rep. Daniel Reed): I have been reading a great deal about the Ways and Means Committee revamping the Social Security Act. However, I have not read a word in regard to a direct Federal pension of at least $100 per month to all Americans over 65. H. R. 1041 and H. R. 4230 provide for such a pension. * * *

I am 78 years old, living on borrowed time, and living on a very meager income. I cannot live properly, or have the medical and eye care I need. It would be such a relief for old people not to be under a constant strain, wondering where their next meal is coming from.

I feel we old people who are not able to work are entitled to a dignified means of support, not the disgrace of going on county welfare.

Please, Mr. Reed, please, put your best efforts forward for the passage of a Federal pension for the aged.

Senator CARLSON. Mrs. Shankle, I want you to know we appreciate very much your statement, and I am glad you are carrying on the work started some years ago by Arthur Johnson and Thomas Boorde, whom I knew very well.

Mrs. SHANKLE. Dr. Boorde is still with us, but he has had a serious operation and could not be here today.

Senator CARLSON. Give him my very best when you see him.

Mrs. SHANKLE. I will.

Senator CARLSON. The next witness is Mr. W. Rulon Williamson, Washington, D. C.

Mr. Williamson.

We are very happy to see you this morning, Mr. Williamson. I am sure you realize the situation under which we labor this morning.

STATEMENT OF W. RULON WILLIAMSON, WASHINGTON, D. C.

Mr. WILLIAMSON. My name is W. Rulon Williamson.

I am an actuary.

My jobs have been with the Travelers Insurance Co., the Social Security Administration, the Wyatt Co., and general consulting work.

I am presently engaged in general consulting work and social-security analysis.

Yesterday I reached age 65.

I am coolly considering qualifying for the monthly OASI grant for my wife and myself, to supplement income from my savings and fringe benefits, as I continue the analysis of this hazardous enterprise, Federal social security.

Against my taxes of $300, we might expect to draw nearly $30,000 in benefits.

I speak in opposition to the bill.

II. OUR CIVIC HEALTH

Federal Government in America represented an inspiring innovation in political organization. It is now more than twice the fourscore and seven years of the Gettysburg Address, since the Declaration of Independence for life, liberty, and the pursuit of happiness was signed.

Now, in copying Prince Bismarck, the British Fabians, the French Socialists, and the ILO in welfare legislation, we have, in prayer-book parlance, "left undone those things which we ought to have done, and we have done those things which we ought not to have done, and there is no health in us." But so far we seem a stiffnecked set of miserable offenders, loath to confess our faults, and hardly penitent. We seem, indeed, to glory in our shame, and to give little promise of living a godly, righteous, and sober life.

I am mentioning a few of the undone things, and some of the things done, to suggest the state of our health in relation to social security.

A. THE UNDONE THINGS

1. Postponing analysis—and even when determining to carry it through, apparently straitjacketing the analyzers—and in 1953, throttling the reports of the analysis.

2. Avoiding competent use of arithmetic, logic, definition of terms, the lessons of ancient and modern history, political sagacity.
3. Forgetting that it is individuals who think—not national organizations—and failing to commandeer the thinkers.
4. Ignoring the Marxian malady inherent in overweening statism.

B. THE THINGS DONE

1. We have radically increased regimentation and decreased freedom.
2. We have set up such rubbery rules, as to defy cost appraisal, then pretended we could foretell costs.
3. We have sneered at personal capacity, saying "you cannot."
4. In fastening shackles on the citizens, we have used the technique of bribery.
5. We have used the paid job as the sole basis of benefits, making women second-class beneficiaries—a narrow laboristic base.
6. By the deferred benefit device we have fed the fires of inflation.
7. We have dangerously assumed the right to pile up liabilities for posterity to meet—while we sidestep most of the same liabilities.
8. Irresponsibility attaches to the use of dubious terms like "actuarial soundness."
9. With diminishing relationship between individual wage histories and individual benefits, increasingly it is said the relationship holds.
10. With from 0.1 percent to perhaps 5 percent of outlays met by the beneficiaries, it is still said "they paid for it."
11. The biennial political handouts of 1950, 1952, 1954 belie any claim for scientific basis of benefits.
12. The law preparation in the executive branch continues to infringe upon the legislative prerogatives.
13. We have mingled and confused the goals of thrift and relief.

C. OUR CIVIC HEALTH

1. In the face of such delinquency, we are surely in a perilous condition. We seem to have consulted neither good diagnosticians nor physicians, or if we have consulted them, we have ignored their advice.
2. H. R. 9366 would apparently add from a quarter to a half trillion of additional dollar payments in the outlay to those now living.
3. If we invoke the safeguard of section 1104, we owe nothing extra for this load. If we do not accept the negations of section 1104, we double or triple the national debt.

In short, we have left undone the things we ought to have done, we have done the things we ought not to have done, and our health is sadly impaired.

III. PLANNED PAUPERISM

Mine is the bribed generation.

The aged survivors of an earlier generation—largely aged widows—have very largely been bypassed. The values they prized—self-reliance, integrity, the narrow way—have been cried down. Their thrift plans have been sabotaged by inflation. Ignoring them has been a scandal.

The coming generation is supposed, apparently, to foot the bill for their bribery and our own. We, the bribed, can be pretty sure that

our enforced contributions have not met our share of the cost of the life-insurance benefits alone, and that we have really paid nothing at all for our age benefits—ours and our wives'. Posterity will inherit the burden of our prodigality. There won't be appreciable interest, rents, and dividends on the negligible reserves to give the help they furnish in a personal investment account. Paying in arrears and not in advance is an expensive business.

Lord Beveridge, in his recent American appearance, said that this year old-age benefits in Britain will apparently pay out more in benefits than they take in in taxes, and that in 20 years, the payments may be twice the contributions levied. Their last actuarial report showed that the aged recipients, including the employers contributions along with the employees, are apt to receive 20 times what they paid for. They are 10 years further along the primrose path than we. Here, where we are merging the age benefits with those for young and old survivors, the age-benefit outlays seem to be running 50 times what the beneficiaries alone have paid. "They paid for it!" "Me eye."

Our poorhouse population of 65 and over was reported at about 50,000 in 1930 and about the same in 1950. But now the whole pauper crop—including the OASI and the public assistance aged beneficiaries—has grown 100-fold. Taking the two sets together, the social-security beneficiaries may well find themselves getting 100 times the paid OASI taxes.

The factor of political expediency in 1950, 1952, and 1954 will probably be the most important element in cost. Our childrens' money, used to bribe my generation of emerging oldsters, seems to be thus used to avoid the political liability believed to accompany the correction of serious error. Apparently we dare not look too good, nor talk too wise. We prefer to let posterity suffer from our bullheadedness. It isn't conscience that make cowards of us all.

IV. CHRISTIAN CHARITY

Up in Connecticut, a stark chimney standing above the embers in a burned-down house bore this legend:

> Life is mainly froth and bubble.
> Two things stand like stone:
> Kindness in another's trouble,
> Courage in our own.

The spontaneous outpouring of Christian charity from the individual to the individual has become old hat. Only well-regimented, a rather dessicated mass charity is tax exempt from income tax. It would seem fitting to revise the last two lines of the quatrain:

> Callous to another's trouble,
> Selfish in our own.

V. PEP PILLS AND SACRIFICE

This OASI seems akin to the pep pills that fanatic mountaineers are said to have used to block the annoying sense of caution in dangerous stretches when under high tension, with its consequent letdown in sound judgment before the danger is over. Stepping up the dose in OASI, expanding the number of users, these processes appeal to the

merchants of death, the underminers of our good judgment. Such euphoria is dearly bought. We must have taken the pills, or we could not ignore the reports of the 1953 Subcommittee on Social Security. I expect they were cautious, that they told half the story, but willful ignorance of the facts is no help at the time of the fatal misstep. We are in deep financial danger. Now is not the time to increase the use of the drug. Now is the time to reform. Now is not the time to precipitate the pauperization of the Nation. Now is the time to cut down the dose, to prepare the victims to recapture their own free judgment. Bankrupt schemes should not be eulogized. They should go into receivers' hands.

Last week I saw Rembrandt's etching of Abraham prepared to sacrifice his son Isaac, his hand stayed by the angel. As we prepare to sacrifice our children, perhaps a guardian angel will intervene, protect us from the sacrifice. We might, perhaps, find the substitute goat, and slay him.

In connection with a still greater sacrifice, it was said: "Father, forgive them for they know not what they do."

You committee members have not Abraham's excuse—you know the guilt of human sacrifice.

VI. KNOWLEDGE AND RESPONSIBILITY

In 1935, when the original Social Security Act was passed, we lacked a clear perspective of what lay ahead. Knowledge has accumulated. The basis for responsible action has grown. To persist in error is culpable. To designate error as truth is inexcusable. You members of the Senate Finance Committee have a tremendous responsibility. Share that responsibility with your fellow citizens. Count upon their capacity, their intelligence, their sense of fair play. Our current plans of OASI and OAA are bad plans, pernicious plans—the reverse of individual thrift and insurance provisions. H. R. 9366 worsens them badly. You can no longer have the alibi of ignorance. Too much water has flowed over the dam, since the errors of 1935, 1939, and 1950 were perpetrated. I have, in my recent statements to the Ways and Means Committee, to my fellow actuaries—copies of which have been sent to each of you—outlined a spreading of public charity more widely, more thinly, on the way to the chance of regaining personal competence.

I don't like to be the victim of poorly planned pauperism. Do you?

Senator CARLSON. Mr. Williamson, we thank you very much for that paper. We appreciate having individuals come in as well as representatives of organizations.

Mr. WILLIAMSON. Thank you.

Senator CARLSON. The next witness is Mr. Joseph A. Schafer, of Philadelphia, Pa.

STATEMENT OF JOSEPH A. SCHAFER, CERTIFIED PUBLIC ACCOUNTANT

Senator CARLSON. Mr. Schafer, we are very happy to have you with us this morning.

Mr. SCHAFER. My name is Joseph A. Schafer, 1337 Foulkrod Street, Philadelphia, Pa.

Mr. Chairman, I am very happy to be here this morning to plead the case of many of our old people who have been ignored from the inception of social security.

Now, the statement I wish to make to the committee is as follows:

Notwithstanding overwhelming approval of H. R. 9366, extending social security coverage to 10 million additional citizens, the question must be raised whether it is fair and just to leave out of the system many millions of other citizens, the forgotten old men and women who will never be able to qualify under present rules.

As long as discrimination and inequality in the matter of old-age security continues to be accepted as part of the system, just that long will these unfortunates have to endure the hardships and sufferings that they are forced to bear day after day.

A lot of grief and confusion could be avoided if we simply give every citizen the opportunity of belonging to the system. Every person has the constitutional right to qualify as a member, for not to treat all persons equally is un-American.

Originally specific groups were excluded from the system, but eventually it was found necessary to add domestic and farm workers and the self-employed. Now it has been found necessary to add farmers, professional people, and some city and State employees. Next it will be found necessary to add the other millions of citizens who are not covered. If we recognize the fact that we will eventually have universal coverage, so that every person will have security in old age, then it would be just as well to make up our minds to perfect the system in that respect now.

Why should we try to evade our responsibilities by waiting for all those old people to die so they won't be a problem to us?

There is no logical reason for keeping any group of citizens out of the system. And at the same time it is selfish of any group to think they should be kept apart as a privileged class. That refers particularly to doctors, and I also wish to include the lawyers, if they believe they should have the same privilege. Since they believe they should be allowed to look after their own security. Such a policy would permit them to evade their joint responsibility in this scheme of social insurance. Knowing that only a certain percentage of their profession would reach retirement age, they thus would escape the social-security tax that all other citizens pay into the fund for the benefit of the fortunate survivors.

The main purpose of this statement, however, is to ask this committee to listen to the pleas of the old folks who seek relief from the daily struggle to live, in order that they may be able to spend their remaining years in comfort and dignity as free and independent human beings.

These are the forgotten people who were born too soon to get into the social-security system and now are too old to work in jobs covered by the system; also widows of farmers, the self-employed, and professional people who previously were excluded groups and are now too old to help themselves. The present laws demands that all requirements be met before a person is eligible for benefits. But must we make the provisions so rigid that it virtually is impossible for these old men and women to qualify.

Beginning in 1950 amendments to the law opened the gates for many old people by letting them qualify through provisions which

required them to work in covered employment or as self-employed persons for a period of 6 quarters, 18 months. Accordingly, an employed person about 65 years of age was permitted to pay 1½ percent tax on total earnings of $300 for a full 18 months' period, at total cost of $4.50, or at a rate of $0.25 per month during that period, after which that person was eligible to receive minimum monthly benefits of $25, or $37.50 for a married couple over 65 years, for the rest of their lives. For the maximum monthly benefit of $85 single, or $127.50 for a married couple, the cost of 1½ percent on $5,400 earned during 18 months would total $81, or at the rate of $4.50 per month for that period. The tax rate for the self-employed was slightly higher, being 2¼ percent of earnings up to December 31, 1953.

Many old persons with the assistance of their relatives and friends were able to participate in that program by setting themselves up as self-employed or as domestic workers performing such tasks as baby-sitting, nursemaid, cook, housekeeper, and so on, for a year and a half, and thus qualifying for the benefits immediately thereafter. There is no doubt that many cases were accompanied by deceit and chiseling and conniving for the purpose of obtaining benefits.

On the other hand, certain men and women worked many long years before social security was introduced and now cannot get a job if they want to because of their age. Then there are those who were able to work in covered employment for part of the required time, some for as many as 4 quarters and others for 5 quarters, but because of illness they were not physically able to continue working at any job for the 1 or 2 quarters they would need to qualify. As for those people it will be impossible for them ever again to work during the remaining years of their lives, and thus they will forever be barred from the possibility of meeting the work requirements laid down by the law, even though they need earn only $50 a quarter. There is no power on earth to perform a miracle either to give them the health and strength to work or to find any employer who would give them a job.

And what of the social-security tax the latter group paid when they worked in covered employment for 4 or 5 quarters or even for 1 quarter? Should our Government say to these people who have made some contribution to the social-security fund that the tax they paid in is accepted with thanks, but that they will never get any benefits as long as they live because we will not make it possible for them to meet either the work requirement or the social-security tax balance due for the full six quarters? Such a policy would be vicious and not in keeping with our claims to grant fair and liberal treatment to all our citizens.

The remedy, therefore, is to make it possible for every man and woman reaching the age of 65 years to qualify for benefits.

First those who have paid into the system for part of the required time should be allowed to make up the social-security tax cost for the minimum six-quarter period. If a man has credit on his record for 5 quarters, then he would pay in only for 1 additional quarter; and if he has credit for only 1 quarter, then he would pay in for 5 additional quarters. In any case the tax would be paid into the fund for the full six quarters.

But the provision which requires them to work for six full quarters should be waived. This means that all old people who are too sick, weak, or infirm to work, or who cannot find an employer to give them a job because they are in their 60's, 70's, or 80's, will not have to fulfill that requirement.

It is inconceivable that anyone would demand that these old people find a job with some employer to make up the balance of six quarters of work. And it is just as inconceivable that anyone would expect them to rejoin the labor force in their old age. This should be evident when we realize that many willing and able workers in their 30's, 40's, and 50's cannot find jobs. Reduction of the number of people seeking work should be welcomed at this time when there is a decreased demand for labor.

Second, as to those old people who never had any credit on the social-security records, it should be provided that they may consider themselves in the class of the self-employed for the purpose of placing themselves under the system. The procedure would be for them to file an account with the Government for the minimum 6-quarter period as a self-employed person, accompanied by a payment of the equivalent social-security tax for the period at the rate of 3 percent effective in 1954. These people likewise would not be required to work or to be self-employed for the required time. Who would expect these old people to engage in some business endeavor for a year and a half to meet the work requirement? Waiving the work or self-employment provisions would leave only the tax cost to be made up in order that they could become eligible for benefits.

Third, social-security benefits should be equal for both men and women, which means that the so-called survivors benefits should not be reduced to three-fourths of the basic benefit. Who is to say that a woman should live on less than a man is supposed to live on? Such a policy is discriminatory, arbitrary, and unjust. In case of a man and wife partnership, where the wife actively tends to the business, it would be inconsistent to give only three-fourths of the benefit to the widow when she reaches 65 years, merely because the records credited the taxpayment in the husband's name. The provision of law which states that the basic benefit to a retired worker should be reduced to three-fourths if his widow later becomes entitled to benefits should therefore be amended so as to grant the same benefit to the survivor widow as is given to a man.

Now I have included in my statement the testimony I have received from others as a result of the formal proposal which I made in April to the House committee. I was deluged with letters from these old people begging and pleading that they be allowed to join the system in the manner which I have proposed. Some of these cases, as I stated in my statement, have paid for 4 and 5 quarters, but it is a physical impossibility for them to ever work for 1 additional quarter, or 2 additional quarters. We must not deprive them of the opportunity of meeting the requirements, even though we have to excuse them from laboring, or starting in business for a quarter, or two quarters, which no one should expect them to do.

Now, I will not recite all of these letters here, because it is too lengthy.

Senator CARLSON. They will be made a part of the record.

Mr. SCHAFER. They include self-employed businessmen, they include the widows of dentists and others—the professional class—they include nurses who have been deprived of social security in the past, and they include farmers and others, all pleading that they be included in this system.

(The document referred to follows:)

TESTIMONY OF OTHERS

The situations in which our old folks find themselves, stated hereinabove, are evidenced in the following extracts from letters received from many old men and women, in which they plead for the approval of the plan proposed herein without delay.

Fred R. Dambly, Philadelphia, Pa.: From 1936 to 1945 I was an employer who paid the amount required to match the tax paid by my employees. I was compelled to go out of business on account of ill health. In 1949 and 1950 I took a job and have paid tax for 5 quarters, but owing to my age, which is 74 years, I was compelled to retire again. My wife also has paid some tax where she worked for awhile, but she is now 66 years old. The Social Security Office informed me nothing could be done for me.

Mrs. Hanna P. Levy, Philadelphia, Pa.: I happen to be one of the old folks, now 67 years. In the beginning of social security I was employed and now have to my credit four quarters, which as you know is not enough to receive benefits. I would be most grateful if your suggestion is approved.

Mrs. S. May Kear, Watsontown, Pa.: I have four quarters in social security, but because of my age I can't make up the rest. The plant I worked for closed up several years ago. I will be 73 years in September. I sure would try to pay any token tax your plan requires for me to get the minimum. I want to tell you what a lift it would be.

Andrew J. Sloss, Philadelphia, Pa.: I am one of those who is lacking two quarters to be eligible for social security and due to illness have never been able to work again to make up the two additional quarters needed. This plan certainly would bring great happiness to me as I am now dependent on others.

Mrs. Margaret Magee, Philadelphia, Pa.: My husband died almost 10 years ago. He had been employed for 25 years in the same place, but wasn't under social security. As there was no hope of a pension or social security, he changed jobs and was under social security for 9 quarters when he died, but it had to be 13 quarters for me to become eligible at 65 years. Now it is only 6 quarters, yet I cannot get social security, although 72 years old.

Mrs. Florence A. Elliott, Philadelphia, Pa.: My husband worked for a company for 30 years, but died in 1934, 2 years before social security. I have worked for 6 years, 3 nights a week, in a reading room, but I am not eligible for social security. I get nothing.

Otto Liebl, Philadelphia, Pa.: I was born in 1870, consequently not entitled to social security. I worked in a shop for 41 years, but fate delivered me a heavy blow in 1938 when I was taken ill with a serious heart affliction and since then I was unable to perform any work. I have tried twice to secure a job in a hospital, but to no avail. Although afflicted with a serious handicap, yet willing and able to work for a bare living, I find a closed door all over the city and all over the country.

Mrs. Elsie Bach, Philadelphia, Pa.: I am 70 years and worked 3 years in seasonal work. They deducted security tax, but I did not have enough credit to pay me benefits. I would be willing to pay the tax cost to be eligible if your plan is made effective.

Louise M. Sornberger, R. N. Lansdowne, Pa.: I am a registered nurse, graduated in 1902 and have nursed continuously to 1950—48 years. I nursed for 5 weeks in 1953, but didn't earn enough to begin social security. I will be 77 years old in August. I would be only too glad to pay the tax as you suggested.

Miss Kathryn V. Kane, Philadelphia, Pa.: When social security first started I worked under it for a short while. Then my mother died and I was compelled to stay at home with two invalid sisters. I was not able to go back to work. As I am past 70 years and now at home with no income I pray that this plan will go through and I shall be allowed to pay the required tax and be put on social security.

William C. Raynor, Ocean City, N. J.: I am past 80 years old and was in business from 1900 to 1945. I paid social-security taxes as an employer from the time it started until I was forced out of business by the Second World War. I applied for social security and was informed I was not eligible. The men I employed are collecting social-security benefits, and I paid part of the tax. This is one instance of the injustice of the law. I cannot work for anyone.

George E. Fornwalt, Harrisburg, Pa.: I am 68 years old and unemployed. I worked 2½ years for the State authority as a senior building inspector but was dropped as there was no place to assign me. The State authorities do not provide for social security or unemployment compensation. At my age I cannot get a job and it seems the State agency don't try to get me a job.

Mrs. Mamie Honner, Chester, Pa.: I am 70 years old, and buried my husband a year and a half ago. My husband never had social security as he was self-employed. If he had I wouldn't be living under these conditions. Am I too old to take out social security if I pay the tax cost, or would I have to be employed to get it? I would like to live my time out with a little peace.

Mrs. Cecelia M. Wright, Philadelphia, Pa.: I am a widow of 69 years, and was the wife of a dentist, which as you know was not covered in social security. As I do not have old-age pension could I pay the tax cost and be eligible?

Miss May A. Pabst, R. N., Philadelphia, Pa.: I am quite sure there are many nurses, of whom I am one, who have worked in nonprofit organizations, namely hospitals, for many years and were not given the opportunity of joining in the social-security plan when it became effective in 1937. I am now 65 and because of an attack of sciatica I was not able to continue my work as a social worker and clinic executive to get the benefit of the change in the law which enable persons of 65 or near that age to work for 18 months and thus become eligible. I worked in hospitals for more than 30 years. Would it be possible for nurses and others such as myself to pay our own tax plus the employer's tax and thus become eligible?

Miss Sara V. Kelly, Philadelphia, Pa.: They didn't have social security in the hospital where I worked. I hope we will get social security under your plan.

Mrs. John Greeby, Willow Grove, Pa.: I read about your social-security plan - would that be a godsend to farmers and others. We sold our farm as we could not keep it up any longer as our health gave out. We are 70 and 72 years old. We have a friend who worked 18 months over 65 years and gets $120 a month for man and wife. I hope your plan goes through with God's help.

Mrs. John A. Davis, Gettysburg, Pa.: My husband and I worked on farms all our lives and just a few years ago we were able to buy our own place. Now we are in our middle sixties and too old to farm, but we will have no income as social security did not cover us. Yet we helped feed the world and did our part in the world's business as much as the factory man. We are writing to Representative Daniel Reed, asking him to favor your plan.

Mrs. G. Bain, Philadelphia, Pa.: I am a widow now 70 years old. My husband died in 1945 but had ill health since 1932, so I do not get social security or pensions of any kind. No one wants me for any work, they say I am too old. I do baby-sitting and a little nursing but I cannot continue. I would like to register to make me eligible for social security.

Mrs. Elsie Shapiro, Atlantic City, N. J.: Your suggested plan sent to Representative Daniel Reed is just perfect and you are doing God's will by your plan to give decent independent living to all citizens. I am now 67 years of age and in the army of millions that are yet ignored by social-security benefits. Your plan would mean from poverty to riches for us three sisters. We lost our savings and home and business during depression years and now have nothing. My oldest sister is past 70 and worked up till a year ago and had to stop due to her health. My other sister is not able either and I have defective hearing and my eyesight none too good. I worked 3½ years at Wright Field, Ohio, in last war but no social security was in force at the time I was there. May God grant that your lifesaving plan will be enacted soon.

Mr. SCHAFER. These old people are the very ones who need financial assistance from social security. A collateral benefit would be to the large group of old folks in homes for the aged. Because of the lack of assurance that women in the Old Ladies' Home of Philadelphia could receive public assistance or social security, the burden on the community was considered too great for a citizens' committee to pre-

vent the home's closing in January 1954 after caring for over a hundred old ladies for 78 years.

As a consequence those ladies were dispossessed from their home and scattered all over the region. It was a tragedy to many of them and caused them untold mental anguish and torture.

That, Mr. Chairman, is the conclusion of the statement which I want to make and the plea which I bring to the committee to not ignore these old people—some who have been in the system but cannot complete the provisions of the law, because of their health or infirmity, and others who have not been in the system previously but are too old—up in their eighties, even seventies, they cannot ever perform the requirements of the law. There must be some way we can allow them to come in, even if we set up the proposition that they should designate themselves as self-employed, but don't make them go into that business, for a year and a half, which is a lot of nonsense, I believe.

Senator CARLSON. Mr. Schafer, I want you to know you have called our attention to a very pressing problem and one that I hope this committee will give consideration to. Not only that, it is a humanitarian suggestion. I appreciate very much your statement.

Mr. SCHAFER. Thank you, Mr. Chairman.

Senator CARLSON. That concludes the hearings for this morning. The committee will stand in recess until 10 o'clock next Tuesday.

(Whereupon, at 11:20 a. m., the committee recessed to reconvene at 10 a. m., Tuesday, July 6, 1954.)

SOCIAL SECURITY AMENDMENTS OF 1954

TUESDAY, JULY 6, 1954

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

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10:07 a. m., Senator Walter F. George, presiding.

Present: Senators Millikin, Williams, Flanders, and George.

Senator GEORGE. The committee will come to order.

The chairman of the committee is detained but will be in after a short while. Many members of the committee, of course, are absent from the city, attending the funeral of Senator Butler, who was for many years a member of this committee. I make that explanatory statement in order that you may understand. The record will, of course, be read by the Senators and the members of the committee who are, unfortunately, not here this morning.

Dr. Blasingame, you may come around.

STATEMENT OF DR. F. J. L. BLASINGAME, ACCOMPANIED BY DR. FRANK DICKENSON, AMERICAN MEDICAL ASSOCIATION

Senator GEORGE. I explained, Senator Millikin, that you would be in shortly and that others were attending the funeral of Senator Butler but that a complete record will be made of all the testimony.

Doctor, you may proceed as you wish. Do you wish your whole statement to go in the record or do you wish to present it?

Dr. BLASINGAME. It is a brief statement, Mr. Chairman and I should like to read it.

Senator GEORGE. You may proceed.

Dr. BLASINGAME. I am Dr. F. J. L. Blasingame, of Wharton, Tex., where I am engaged in the active practice of medicine. I am a member of the Board of Trustees of the American Medical Association and am appearing today on behalf of the association in connection with H. R. 9366, 83d Congress, currently being studied by your committee.

Many of the provisions of the bill pertain to sections of the Social Security Act which do not have primary medical implications. The association has not taken any position with regard to these sections of the bill. My testimony will be directed primarily to the section of the bill which provides for the waiver of social-security taxes during periods of permanent and total disability and for the exclusion of these periods in the computation of old-age and survivors insurance benefits.

Before commenting on this portion of the bill, however, I should like to relate briefly the position of our association concerning the com-

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pulsory coverage of physicians under title II of the Social Security Act. Although the section providing for the compulsory inclusion of physicians does not appear in the revised bill which you are considering, it is our understanding that an effort has been made to reinstate this section in the bill.

The American Medical Association strongly opposes compulsory coverage of physicians under title II of the Social Security Act. In June 1949 the house of delegates adopted a resolution to this effect. Another such resolution was adopted at the meeting of the house of delegates in December 1953.

In February 1954, the board of trustees again reviewed this question and reaffirmed the association's position. The board did determine that no objection would be raised to the extension of the old-age and survivors insurance provisions of title II so as to permit voluntary coverage of physicians.

Last month at its meeting in San Francisco the house of delegates again reiterated its unqualified opposition to the compulsory coverage of physicians under title II of the Social Security Act. Members of this committee will also recall that when H. R. 7199, the original bill, was before the House Ways and Means Committee a few weeks ago, innumerable individual physicians made their opposition to compulsory social-security coverage completely clear.

We consider it absolutely incompatible with the free-enterprise system for a group to be compulsorily covered under a Government system of old-age benefits when that group strongly and with great force opposes such coverage.

We have carefully reviewed the report of the advisers to the Secretary of the Department of Health, Education, and Welfare and have been unable to find any reasons to justify this part of their recommendations.

The members of the medical profession do not feel discriminated against by having been excluded from the provision of title II of the Social Security Act. On the contrary, we believe that we are capable of planning for our security in old age and are not desirous of governmental intervention.

Another and very practical consideration is the fact that only a small proportion of the self-employed physicians consider age 65 as a line of demarcation between their working years and retirement. Those who are able to work prefer to keep right on taking care of sick people; many of them taper off the amount of work they do as they grow older.

However, in an unpublished study prepared by our bureau of medical economic research, it was found that one-half of the physicians actually retiring from practice after age 65 did so after age 74. I am attaching to this statement for the information of the committee an editorial concerning the retirement practices of physicians which appeared in the May 29 issue of the Journal of the American Medical Association.

If forced under this program, the typical physician would be required to continue to pay OASI taxes from age 65 to age 74 or 75 before he would receive any benefits.

This prospect of indefinite retirement for the members of another great profession was very well stated in a recent issue of the American Bar Association Journal, February 1954, by Judge Allen L. Oliver,

chairman of the committee on unemployment and social security of American Bar Association. I quote:

> In summary, the self-employed professional differs from the employed person because he is not forced into abrupt and complete retirement, because he usually continues substantially remunerative activities after age 65, because his entire life and training emphasizes individual activity rather than group treatment.

Old-age benefits under the act simply do not fit the economic pattern of the life of the self-employed physician. To compel him to come under the provisions of this portion of the Social Security Act would represent a failure to understand that physicians, like many other professional people, serve the citizens of their community best by following their traditional economic pattern of life.

In making this comment it is not my intention to make any inferences whatsoever regarding the applicability of old-age and survivors insurance program to the 50 million employed persons in the United States.

The American Medical Association has repeatedly expressed its support of the Jenkins-Keogh bills which are now pending before the Ways and Means Committee of the House of Representatives. These bills would provide a long-range plan for encouragement through tax deferments for self-employed people to set aside limited amounts from their earned income into restricted retirement annuity or pension trust programs from which they could draw benefits on attaining age 65.

They would give the 11 million self-employed people who want to save for their old age an opportunity to do so under conditions approximately equal to those provided by corporate pension plans approved by the Bureau of Internal Revenue under section 165 (a) of the Federal Internal Revenue Code.

We support these bills heartily because they would provide prepaid pensions for all who are willing to save. We believe that our country is so diversified and that people earn their living under so many different conditions that it is wise public policy for the Congress to provide a flexible pension system for the self-employed and to permit the pensionless employed to participate in the same program.

Senator GEORGE. What you are saying, Doctor, applies more or less to all professions. There is no fixed time or date for the professional man in any line of work to retire unless he is an employee of someone else, who puts him out of a job.

It is also relatively true of the farmer who builds his own farm, and he does it primarily for security in his old age. He hopes to live there and die there, and generally does, if he is a farmer devoted to cultivation of the land or the care of cattle or anything else or any line of business in which he is engaged.

It is noticeable, I think, and the chairman of the committee would agree with me, that what we call "social" security now is rather rapidly developing into a system of compulsory insurance for everybody. Both political parties have said they wanted broader, universal social security, and we are just the implements of the parties down here, trying to carry out the will of the people as they express it from year to year.

As everyone knows, the old, original concept of the social-security system has been changed into a system of enforced insurance. It is

the element of enforcement that the professional group more than any other one group raises its objection.

Our social-security experts tell us that you can't have a voluntary system. They have never tried it. I think they could, but they have never tried it. It is voluntary now. In certain cases, where the employing organization brings in the whole group under him by a vote of two-thirds, it is purely voluntary, but it isn't voluntary in the sense that the individual determines whether he goes in or stays out.

Pardon me for interrupting.

Dr. BLASINGAME. I appreciate your remarks.

Now, the other section of the bill concerning which I would like to comment deals with the so-called waiver of premiums and the preservation of insurance rights of individuals with extended total disability. While we are pleased to note that this section of the bill includes a number of provisions placing emphasis on State control, which did not appear in earlier bills introduced in the Congress, we are still constrained to oppose this portion of the bill.

Our objections to this proposal stem, in part, from the realization that the adoption of such a provision would provide the mechanism for a Federal cash permanent and total disability program and in turn for a full-fledged system of compulsory sickness insurance. This provision cannot be appraised solely as an isolated, detached effort to provide some measure of aid to the disabled worker. We believe that this and every other step in the direction of a compulsory sickness insurance system must be opposed.

Any proposal that benefits those citizens who are permanently and totally disabled warrants careful and sympathetic consideration. Under existing public-assistance laws, permanently and totally disabled individuals now receive assistance from both Federal and local agencies.

However, this amendment to the Social Security Act, which for the first time relates disability to title II of the act, introduced a relationship between the Federal Government and all private physicians that is profoundly disturbing.

It is not unlikely that this waiver of taxation benefit will be followed by extension of the waiver of tax to the temporarily disabled and that eventually cash benefits will be provided. In fact, numerous bills have already been introduced to effect this change.

The issue involved here is complex but nevertheless basic: Should the Federal Government on the basis of compulsory taxation provide direct special benefits to the disabled or should the responsibility for providing such benefits to this segment of the Nation remain a State and local responsibility? We believe that the objection of providing adequate assistance to these individuals is sound but that the mechanism is not.

It is true that under the present system a man who is permanently or totally disabled or who goes from covered to noncovered employment during his lifetime is penalized. This is due to the fact that all of the years following the entrance of a wage earner into the social-security system are counted as elapsed years and the amounts earned in covered employment during such periods are used in determining his annual average wage, which is the key in figuring the basic old-age and survivors insurance benefit. It is our recommendation that in lieu of the proposed approach the committee give consideration to the

more liberal formulas of most modern systems for computing benefits, such as those followed by most corporate pension plans and indeed by the Government itself in the case of the civil-service retirement system.

These systems involve the use of the 5 or 10 best years during a man's working lifetime in computing retirement benefits with an allowance in the form of increment years for each year of gainful employment.

This latter provision compensates a wageearner who has had a long period of covered employment and consequently has made larger contributions into the pension fund. If such a method were adopted, it would be unnecesary to consider gaps in a man's wage record, regardless of whether they were due to permanent or total disability, noncovered employment or any other cause.

For the reasons which I have outlined above, we are opposed to the provisions of H. R. 9366, 83d Congress, to which my remarks have been directed.

There is attached hereto an important editorial, Senator George, which appeared in the Journal of the American Medical Association which is entitled, "Few Physicians Retire," which I think is important. It shows that a high percentage of these physicians are still in active practice today.

(The editorial referred to follows:)

[Journal of the American Medical Association, May 29, 1954]

FEW PHYSICIANS RETIRE

Of the 22,296 physicians in the age group 65-74 in the United States in April 1950, 18,770—84.2 percent—were in active private practice according to data in the appendix of bulletin 94 of the Bureau of Medical Economic Research. Only 15.8 percent were not engaged in active private practice. Among these 3,526 not in active private practice were housewives and others who had practiced for only a few years, if any, and several hundred who were still employed by private or public employers; still others had retired from private or public employment, probably on a pension financed in whole or in part by the employer. Although these newly published data do not separate the self-employed from the employed who are still in active private practice, it seems strange that the House Committee on Ways and Means should continue to consider the provisions of the administration bill on social security, H. R. 7199, 83d Congress, which would force self-employed physicians between the ages of 65 and 75 to pay social-security taxes while denying them until age 75 an old-age and survivors insurance pension if they earned $1,000 or more a year. If the pattern of 1950 is continued, 8 or 9 physicians out of 10 would be required to pay social security taxes but would receive no pension from age 65 to 75. This new statistic adds force to the objections raised by Dr. F. J. L. Blasingame,[1] who spoke on behalf of the American Medical Association against compulsory inclusion of all physicians under social security before the House Committee on Ways and Means on April 6, 1954.

The CHAIRMAN. Is there any indication that those who did retire at 65 or earlier; that they are in any financial distress?

Dr. BLASINGAME. I believe Dr. Dickinson could answer your question.

Dr. DICKINSON. The overall problem is what Senator George has outlined: How do you define retirement for a self-employed professional person? It is difficult to define it for professional purposes.

[1] Statement by Dr. F. J. L. Blasingame on H. R. 7199 before committee of House of Representatives, organization section, Journal of the American Medical Association, 154: 1427 (April 24) 1954.

There are physicians who retire prior to age 65. The greatest number of those, Senator Millikin, are women who decided to become physicians and then after practicing—and many of them never practice—they, so to speak, retire to raise a family. The portion of those who we might say, leave the active medical profession prior to 65 due to disability and hardship in my statistics, is very small.

The CHAIRMAN. I have been trying to recall the physicians that I know who have attained the age of 60, 65, or 70.

I can't recall just offhand, a single physician who is able to practice who isn't practicing. They all talk about retiring but according to my observation they never do retire.

Dr. DICKINSON. I think I might add to the point that Dr. Blasingame has made—I might sharpen the point for the committee just a little.

The CHAIRMAN. Before you get to that, what I was driving at is. Has any study been made of those physicians who have retired, as to whether or not they are in distress?

Dr. DICKINSON. No.

As stated in this editorial, 84.2 percent of the physicians between 65 and 75—which is the age group concerned in this bill—are engaged in active private practice. That figure, being a national figure, conceals an extraordinarily important point, namely, this. I don't know how much of this the committee would care to have me file for the record.) An inordinate percent of those physicians between 65 and 75 still practicing medicine fall into two categories: (1) Family physicians—an abnormally high percentage of them are family physicans, and (2) on inordinately high percentage of them are in small towns. So the question of public policy, if I may say so, is does this committee wish to encourage large numbers of family physicians in the age-group 65 to 75, and located overwhelmingly in the small towns—I don't have any separate data for Colorado and Georgia, here—Do you want to encourage those people to retire from the practice of medicine between 65 and 75? You will leave some awful gaps in the small towns and among the family physicians. It won't have so much influence on the big city specialists but it will among the smalltown family physicians.

The CHAIRMAN. Let me ask you this. Again I am speaking out of my own observations which I don't pretend for a moment has scientific bearing on this subject—I can remember doctors talking about retiring here 60 or 65 but the shortage of doctors caused by the war, required that they keep on going. Some of those gentlemen known to me are still going. They just decided, I guess, that they would keep on going. Has that any bearing on the problem at all?

Dr. DICKINSON. In World War II a lot of the so-called retired physicians went back to work.

Dr. BLASINGAME. They did come back and became actively engaged in practice and continued to do so.

Dr. DICKINSON. Every retired physician is a potential physician in the event of national emergency.

You might be interested further in knowing that although it has no bearing on this bill, that 68 percent of the relatively small number of physicians who are 75 or over were still practicing medicine in April 1950.

The CHAIRMAN. Are there any physical facts in the development of a man's medical career that cuts off his usefulness at 65? I hope that isn't true. I have met several doctors upon different occasions who are well beyond 65 who seem to me to be in possession of their faculties. They have the benefit of vast experience and tested judgment. I come back to the question, is there some fact in the strain and pressures of the profession that, in the average case tends to disable a physician when he is 65?

Dr. BLASINGAME. The same laws of nature apply to physicians as all other members of society. Nature makes no attempt to make us all alike. If an individual has his capacity and will to do, we think it is penalizing society to encourage him to retire for some particular reward which society intends to dangle in front of him. He should be encouraged to utilize his facilities as long as they are valuable to society.

I was just interested here in a picture of Dr. White, 77, who operates seven times a day here in Washington, D. C., and I believe recently repaired an injured Member of Congress when he was shot during the fracas not so very long ago. He is a man 77 years of age and they called him out to do the job.

The CHAIRMAN. I hope you physicians don't get too much experience from that particular kind of occurrence.

Dr. DICKINSON. There is a great deal other information we can present to the committee which rounds out this picture of the inapplicability of the social security system as it is now before you, to a great group of people who start earning late and who quit late. Those are the essential characteristics of the self-employed physician. You see the percentage of physicians below 30 years of age is very small. They start late in life and they quit late in life. That appears to be what the public wants of physicians.

The CHAIRMAN. I know in my own profession, which is that of law, I don't know of any association between 65 and inability to practice law. In fact the older a man gets—there must be some limits to that—but the older a man gets, he may lose some energy but his wisdom and his brain power—I have noticed by experience on this committee that as the years go on, the older men on the committee get wiser, instead of losing their capacities.

Dr. BLASINGAME. I do want to reemphasize the importance in our minds of this waiver of premium issue, too. We consider it very vital in the long run. Our statement summarizes in general our reasons for it.

The CHAIRMAN. I haven't been able to attend these hearings but exactly what is it that frightens a doctor about what you are talking about now? What is the feature of it that impinges upon the proper attitude toward the profession that should be held by the public and the professional man?

Dr. BLASINGAME. I appreciate your asking the question, Senator Millikin. The point is, if you establish a system of State physicians or Government physicians across the country to act as agents of the Government in determining total and permanent disability, and the Government pays for that examination, you establish a habit pattern in society and you establish a large number of doctors known to a body of the public as Government doctors. Then that individual

patient finds that the fee for the examination is paid for by the Government. When that individual is ill, he then wants to know why the Government can't pay for the examination of him for a given illness and for the treatment of that particular illness and it is the subject of extension not only for the permanent and totally disabled but for partial disability and finally to all illness.

We think in the first place it will establish a clumsy, bureaucratic method across the country of determining total and permanent disability and it places the physician in the enviable position of having a patient come to him and he happens to be turned down and he goes to another doctor and finally another doctor, to obtain an examination which the patient thinks is in keeping with his condition, and then finally, of course, the opinion of the physician may be turned down even by the authorities who rule on it. But the main thing it does, it puts an antequated and clumsy bureaucratic, costly system across the country in determining total and permanent disability and we think by taking the best 5 or 10 years of a man's employment regardless of the reasons of why he is out, whether or not he is partially employed or employed for 20 hours a week and so on, all that can easily be taken into consideration at the end of his employment period and when he comes to retirement simply by picking out the best 5 years or best 10 years on an IBM machine and calculating his pension at that time, regardless of the details and causes of what made him disabled at the particular time.

It is not a necessary part in calculating total and permanent disability but it can be a mechanism by which the social security system begins, shall we say, the establishment of a compulsory sickness insurance or socialized medicine and we fear it. We wanted to warn you and caution you about this aspect of the program because once it is established it could be expanded.

The CHAIRMAN. In taking the best years which you mentioned, you think in using that, it is not necessary to consider whether the man's health has been good or bad?

Dr. BLASINGAME. That is right. It doesn't enter into the determination of his pension calculation which is said to be the issue involved. We claim if that is the real issue that the social security people are after, the mechanism they have suggested is most clumsy and antiquated and dangerous of expansion to compulsory health insurance. We think much more modern methods can be employed such as you use in your own civil service retirement calculations and also in many of the retirement plans of private concerns.

Senator GEORGE. Thank you very much, gentlemen.

Dr. J. Claude Earnest.

STATEMENT OF DR. J. CLAUDE EARNEST, AMERICAN DENTAL ASSOCIATION, ACCOMPANIED BY DR. FRANCIS J. GARVEY

Dr. EARNEST. Mr. Chairman and gentlemen of the committee, I am Dr. J. Claude Earnest, a self-employed practicing dentist of Monroe, La. I am here today to present the views of the American Dental Association with respect to H. R. 9366. In presenting these views I believe that I can speak with considerable knowledge of the attitude of dentists toward inclusion under OASI for, not only am I a self-employed dentist myself, but I am also vice chairman of the association's

council on legislation and a member of its house of delegates. Both personally and officially, I have had a good deal of experience with the discussions leading to the association's position in this matter.

I might also state that I am a member of the Executive Council of the Louisiana State Dental Society and that the position of the dentists in my State is identical to that of the American Dental Association.

As a preliminary remark let me say that old-age and survivors insurance is based on assumptions that do not necessarily obtain in professional groups in that it is designed to assist those whose economic conditions are vastly different from those found in a profession. This I will illustrate later in my testimony. Professional persons are self-employed and self-determining and are not limited by the economic considerations which compel retirement at age 65 in general industrial employment.

It appears to us that there are two fundamental questions before the committee today: (*a*) Is the OASI system to be one of universal coverage? (*b*) If not, what groups should be excluded from its application?

Upon examining the bill before you today, together with the existing law which will not be affected by that bill, we find that the first question is clearly answered by the fact that certain groups, both employed and self-employed, will continue to be excluded. In the first place there are still a number of types of excluded employment including service as a Member of Congress. In the second place, by determination of the House of Representatives, a self-employed group, physicians, is excluded.

Since it is clear that OASI is not to be a system of universal coverage, there remains only for determination which groups are to be excluded. The House has already determined that physicians constitute a proper group for exclusion and with this we agree. We submit that self-employed dentists likewise constitute a proper group for exclusion and this we shall demonstrate. Accepting as valid the points in the House of Representatives in favor of the exclusion of physicians, let us examine the debate in that body to see what reasons were advanced for including dentists.

At page 7021 of the June 1 Congressional Record—and all citations will be to the Record of that day—it was said:

> It was also pointed out that in the case of physicians they do not retire at age 65. They continue working, therefore they did not think it would be fair for them to be required to pay the tax when they did not expect to retire and get benefits. On the other hand, some evidence was presented that the dentists being on their feet and working at their chairs, it frequently resulted in their having to retire at an earlier age than physicians.

I have carefully read all of the hearings before the House and I do not find that this latter contention is borne out. As a matter of fact, in testifying for the American Dental Association, I used the following language:

> Except in unusual cases, dentists continue working throughout their lives. Since they cannot continue to work and simultaneously derive benefits from their contributions to this scheme, they prefer to be omitted from it so they can invest their funds in retirement plans of their own choice from which they will receive at least the return of their investment.

I, personally, know many dentists who are still in practice after 50 or more years and, since the average age of dentists at graduation is

26 years, these men must be over 75 years of age. However, to confirm my own information I requested a statement from the Bureau of Economic Research and Statistics of the American Dental Association which keeps careful track of such matters. It reported as follows:

It is estimated that the mean age of retirement for dentists is between 68 and 70 years and probably closer to 70. There are more than 8,000 dentists, or approximately 10 percent of the profession, between the ages of 65 and 75 years, the majority of whom are still in practice.

The Bureau accompanied its statement with a table of the age distribution of dentists 65 and over. As you will note from that table, which is included for your convenience, there are approximately 12,000 dentists, now living, who are 65 or more.

Age	Living	Age	Living	Age	Living
65	1,001	71	780	77	478
66	1,000	72	739	78	428
67	925	73	694	79	354
68	865	74	689	80 and over	1,209
69	807	75	609		
70	794	76	547	Total	11,979

Since the Bureau has arrangements with the various States departments of vital statistics to furnish it with copies of the death certificates of dentists, and since we know the age distribution of dentists, by checking the two lists against each other, the association can readily keep track of the ages of living dentists.

The point is substantiated by quoting from a letter from a Colorado dentist to the Council on Legislation dated June 16, 1954, protesting against the inclusion of dentists in OASI. He said:

Dentists do not retire—a few move their offices to their homes and have a net income far beyond $1,000. I am the only Denver dentist I know who is really retired. I closed my office last January at age 81. Dentists should have been cut out when physicians were eliminated from social security.

A further reason given for excluding physicians is found in the statement on page 7031 of the record:

It would be a rare experience for a doctor—

they refer to a physician—

even in his late years to have an income of $1,000 or less. Therefore they would be paying social-security tax with no chance in most instances of ever receiving any return from it.

If this is part of the reason for excluding physicians while including dentists I would like to submit income figures on income derived from dental practice by dentists aged 65 and over. According to the 1953 Survey of Dental Practice conducted by the association's bureau of economic research and statistics, average annual net incomes of self-employed dentists from the practice of dentistry, in the upper age groups were as follows:

Age 65–69 was $7,192; age 70–74 was $5,842; age 75 was $2,975.

Certainly few dentists will retire to live on social-security benefits of $1,296 per year if they are physically able to produce an income such as that listed, nor will they ordinarily retire on the maximum benefit of $1,944 including the wife's portion, should she be the same

age as the dentist, when even at age 75 they can exceed the dual benefit by more than $1,000.

These income figures are important, not only because they indicate income from the practice of dentistry well above social-security benefits, but also because they prove conclusively that dentists in the senior-age groups do continue to work and to produce incomes which make them self-supporting. This income can be understood more readily if one realizes that dentists tend to concentrate their practice on patients in their own age group. These patients tend to remain with the dentist and, in the later years of both patient and dentist, require more prosthetic work than any other type of dental treatment. Since his work is not nearly so fatiguing physically as general operative dentistry it is possible for dentists to continue working until relatively late in life.

We have been talking about money but there is more than money that keeps the dentist working. The average dentist who has practiced dentistry more than 25 years, he has a lot of patients who have been with him ever since he has been practicing. They have never been to another dentist. They have utmost confidence in him. Lots of them have moved away and they'll drive back hundreds of miles to have you do their work. They will brag on you and they built up your ego and it just does something to you that you don't quit work.

Reverting to the statement quoted earlier that dentists retire earlier because they are on their feet more than physicians, I think that the committee should be informed that this hazard has been considerably reduced by the conditions of present-day practice with modern equipment, offices designed for maximum convenience, and the growing use of auxiliary personnel to relieve the dentist of much of the nervous strain and physical effort formerly associated with the practice of dentistry. The effectiveness of these modern conditions of dental practice is established by the figures which I have quoted showing the number of practicing dentists over age 65 and the earning power of such dentists.

The association believes that the committee will want to consider another important factor. It is well recognized that the oral health condition of the American people is such that a continuing large supply of dentists is needed.

The consensus among those who have studied the problem is that there is no surplus of dentists today. The defense needs of the country, for example, require the services of some 6,000 younger dentists. Assuming, for the sake of argument only, that the inclusion of self-employed dentists in OASI with its proposed benefit structure might encourage a substantial number of dentists to retire at age 65, to that extent the requirements of the people of this country for dental health service would suffer.

We are presently producing about 3,000 new dentists each year with a resultant net increase of about 1,100 over deaths and retirements. The vast majority of these new dentists are siphoned into military service for 2 years shortly after graduation.

To encourage the retirement of dentists at age 65 would be to lose the services of a great number of dentists fully capable of maintaining active practice and, since the median age of all dentists is about 46.68

years, the resultant loss over the next 15 years could not be made up by new graduates for a long time to come.

The CHAIRMAN. What is the average age of the man who finishes his dental course and starts to practice?

Dr. EARNEST. Twenty-six.

The dilemma presented to Congress, if dentists are included in OASI, is this: If the benefits are sufficient to encourage dentists to retire, the health care of the people will suffer; if the benefits are not sufficient, then the dentists of the country will be required to pay the costs of a program from which they cannot derive benefits.

At page 7024 of the record it was said:

> But why did we not take dentists out? I would have taken them out too. I am willing to take them out. But you cannot take everybody out and make the system work. Somebody has got to be in it and somebody has got to pay in order to make this go. * * *

Quite clearly this is a recognition that OASI is not the insurance system it is alleged to be, but rather a tax-raising device to which all must contribute in order that some may benefit.

If this be true, and the difference between the solvency of the system and bankruptcy is the anticipated contributions of 83,000 dentists, then any reasonable observer must say that the financial structure of the entire OASI is already in a precarious condition and the inclusion or exclusion of the contributions of this relatively small number of the total population will not save it.

In 1949, the American Dental Association, through its house of delegates, adopted a policy which opposes the inclusion of self-employed dentists in old-age and survivors insurance. On 3 later occasions the question of changing that policy has been on the agenda of the meeting and each time it has been voted down, most recently in 1953 by a vote of 312 to 64.

The house of delegates is the democratically elected group which establishes association policy. Its more than 400 members are elected to membership for terms of from 1 to 5 years, according to the wishes of the particular State from which they come.

They represent what we call constituent societies which are located in every State and Territory except Guam and the Virgin Islands. They represent also more than 400 component or local dental societies.

If a delegate does not properly represent his constituents he probably will not be returned to the house. Yet in the past 5 years we have heard of no delegates who have been defeated because they voted that dentists should be excluded from OASI.

The CHAIRMAN. Let us say the dentists were below the medium of local earnings. Are they all members of the dental association?

Dr. EARNEST. We have about 83,000 members of the association out of 93,000 practicing dentistry. That shows you what a big percentage of practicing dentists belong to the association.

The CHAIRMAN. That leaves 10,000 out of the association.

Dr. EARNEST. Yes.

The CHAIRMAN. Could they belong to local associations and not be reflected in national associations?

Dr. EARNEST. I couldn't answer that for the whole country. In Louisiana you have to belong to a national to belong to the local.

Dr. GARVEY. They must belong to a local association if one is chartered. In the case of members of the military services in Guam,

the Virgin Islands, or the trust territories, they must have membership. Otherwise they have an opportunity to belong to both the local, State, and national associations by applying at the local level.

The house of delegates functions in a manner similar to Congress. Matters can come before it by recommendation of the association's councils, by resolutions adopted by State societies or by resolutions introduced by individual members of the house. Any matter before the house of delegates is referred to a reference committee which operates like a committee of Congress. On the subject of OASI well-publicized public hearings by reference committees were held in 3 separate years. These were attended by large numbers of dentists, both delegates and general members who expressed their views. In 1951 the association distributed to dental societies throughout the country complete information kits telling both sides of the OASI story. After all these years of study and discussion the association continues to maintain its position that dentists should be excluded.

I said earlier that the House of Representatives, in the bill now before you, had accepted the principle that universal coverage is not necessary. What better way to determine which groups should be excluded than to accept the policy of the official organizations of groups which desire exclusion? If there are exceptions to be made, it certainly seems reasonable that the judgment of the affected group should be accepted by the Congress rather than to have the Congress paternalistically determine that its judgment of what is best for the group should be substituted for what the group itself desires.

In conclusion, may I recall to your minds that 178 years and 2 days ago the Founding Fathers signed the Declaration of Independence in which they set out as one of their grievances against George III:

> For imposing taxes upon us without our consent.

May I respectfully request that this item of the grievance of our forefathers be not imposed upon the dentists of today and that instead H. R. 9366 be amended to exclude the self-employed dentists from coverage under the old-age and survivors insurance system.

Senator GEORGE. Any further questions, Mr. Chairman?

The CHAIRMAN. No questions, Senator.

Senator GEORGE. No questions, Doctor.

Thank you and your associate for your contribution.

Mr. Paul H. Robbins.

STATEMENT OF PAUL H. ROBBINS, EXECUTIVE DIRECTOR, NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

Senator GEORGE. Mr. Robbins, we will be happy to hear what you have to say.

Mr. ROBBINS. Thank you very much.

My name is Paul H. Robbins. I am executive director of the National Society of Professional Engineers, 1121 15th Street NW., Washington, D. C., and I appear before the committee to present the views of our organization on the pending legislation to extend and improve the Social Security Act.

By way of background, the National Society of Professional Engineers consists of more than 33,000 members who are all registered under the various State engineering registration laws. Our member-

ship is affiliated through 39 member State societies and more than 300 local community chapters. The membership of the society includes professional engineers of all branches of engineering and all types of employment; private industry, Federal, State, and local government, education, public utilities, research organizations, and self-employed private practice.

Our testimony parallels closely the presentations made by the members of the medical and dental associations. Unless you wish me to, I will not read it but simply summarize some of the pertinent facts. If you care to, I will read it.

Senator GEORGE. You may put it all in the record anyway and then summarize, as you wish.

Mr. ROBBINS. Very well.

The primary interest of the National Society of Professional Engineers in the pending legislation is in connection with the proposed addition of the self-employed to the social-security system. Before turning to that major phase of our testimony, however, we would like to refer briefly to the proposal to include employees covered by State or local retirement systems. As indicated above, many of our members are employed by State and local governments and thus have a direct interest in the proposal. The preponderant sentiment of those who would be affected has indicated approval of the coverage proposal. The board of directors of the national society has therefore adopted a policy favoring the coverage of State and local employees based on a referendum procedure among the affected employees, as provided in the bill.

The question of bringing self-employed professional engineers into the social-security system has been a more difficult problem. The national society has been studying this proposal since the first mention was made some years ago regarding the expansion of the system to cover self-employed persons.

We testified on this in 1950 before both the Senate committee and the House committee and, at that time, we pointed out many of the same points that have been brought up here by the medical and dental societies, namely, that in the professions man does not retire at the age of 65 at an income which would permit him to secure the benefits provided in this legislation.

We have conducted, Senator Millikin, a number of polls among the membership of our societies. We have had a number of discussions in our local chapters. The State societies in the annual meetings have discussed these matters, and we, at the national level, have conducted a poll among the self-employed members of our society, and we found a difference of opinion as might be expected.

However, the preponderant opinion follows the same line of reasoning, as previously expressed, although the reasons vary, according to the situation in which the individual engineer finds himself; but, basically, it is the feeling that the contributions over a number of years and the general income of a professional person after 65 is such that he would be contributing through the period of his coverage without gaining the benefits which would be provided.

We, therefore, would like to urge the consideration of the committee to a point that has been raised by Senator George and is now being considered, as we understand it, by the actuarial and legal officials of social security, that some provision for optional coverage

be provided whereby the man who finds himself in a position where this situation of retirement is not preponderant in his thinking will be permitted to be included or not as he sees fit.

We have included in our testimony reports from several of our consulting engineers throughout the country which I think are indicative of the general feeling of these self-employed engineers.

There is, perhaps, one distinction in the engineering profession which is somewhat different from the other professions in that a great many of the consulting engineers—probably the great preponderance of them—will have had some employed position prior to going into self-employment. That is true because of the nature of engineering work. It requires the accumulation of large quantities of finances, great activity in terms of large operations, and the young man in getting his experience usually finds his early experience in an employed capacity.

Thus we find there are many who will be covered by social security in their employed years of work, and when they assume their self-employed position, the contributions and the activities carrying on from there are somewhat different.

This and other reasons provide us with the general position of the society that we feel an optional coverage would be more in keeping with the general philosophy of social security and of general provisions for old-age retirement than would mandatory coverage.

We recognize, of course, that there are certain other benefits, death benefits, insurance protection for the young man, and others, and these all come to bear in consideration of the problem.

I think basically that covers our presentation. I will be happy to answer any questions that I can or supply any additional information that may be available from our files.

The CHAIRMAN. Out of 10 persons that you have polled, how many want coverage and how many don't?

Mr. ROBBINS. About 6 out of 10.

The CHAIRMAN. Want coverage?

Mr. ROBBINS. No, six are opposed to it.

Senator GEORGE. Your statement will be put into the record.

(The statement referred to follows:)

TESTIMONY OF NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS RE SOCIAL SECURITY AMENDMENTS OF 1954 (H. R. 9366)

My name is Paul H. Robbins. I am executive director of the National Society of Professional Engineers, 1121 15th Street NW., Washington, D. C., and I appear before the committee to present the views of our organization on the pending legislation to extend and improve the Social Security Act.

By way of background, the National Society of Professional Engineers consists of more than 33,000 members who are all registered under the various State engineering registration laws. Our membership is affiliated through 39 member State societies and more than 300 local community chapters. The membership of the society includes professional engineers of all branches of engineering and all types of employment: private industry, Federal, State and local government, education, public utilities, research organizations, and self-employed private practice.

The primary interest of the National Society of Professional Engineers in the pending legislation is in connection with the proposed addition of the self-employed to the social-security system. Before turning to that major phase of our testimony, however, we would like to refer briefly to the proposal to include employees covered by State or local retirement systems. As indicated above, many of our members are employed by State and local governments and

thus have a direct interest in the proposal. The preponderant sentiment of those who would be affected has indicated approval of the coverage proposal. The board of directors of the national society has therefore adopted a policy favoring the coverage of State and local employees based on a referendum procedure among the affected employees, as provided in the bill.

The question of bringing self-employed professional engineers into the social-security system has been a more difficult problem. The national society has been studying this proposal since the first mention was made some years ago regarding the expansion of the system to cover self-employed persons. We testified on this same general question in 1950, stating then:

"Certain problems are inherent in the professional field which may not be true in other fields of self-employment * * *. As is true in many other professions the average self-employed engineer does not retire at that age (65) if he is still in good health and able to continue his practice. Many of our more successful and eminent consulting engineers are well past that age. Such persons would not receive monthly benefits because their earnings from such practice would far exceed the income limitation * * *. Even those who continued their practice on a limited part-time basis could be expected to earn more than the permitted amount. We recognize that there are other benefits in the system, such as death benefits and monthly benefits to widows under certain circumstances. However, weighing these against the probability that most self-employed engineers would not receive monthly benefits, it is our considered opinion that self-employed professional engineers should be excluded."

Our advice was followed by the Congress at that time and we have now had an experience period of approximately 4 years to evaluate the soundness of our 1950 stand. Since the 1950 amendments to the law, we have continued our study of the subject and particularly have attempted to obtain the consensus of opinion of the self-employed professional engineers in the society in the light of later developments—higher benefits, broader coverage, raising the income limitation to $75 per month or $900 per year for self-employed persons; and more particularly, the President's proposed changes of least January which are incorporated in the pending bill.

By means of articles, discussion at National, State, and local meetings, polls, and extensive correspondence with the affected group we believe the self-employed professional engineers in the society have been enabled to understand the basic considerations involved in the question and to determine their desires on the basis of enlightened self-interest.

Because other professional groups have had substantially the same experience, it will not be surprising to the committee to learn that there is a difference of opinion within the self-employed professional engineer group regarding mandatory coverage proposals. We have emphasized the word "mandatory" because there is no substantial difference of opinion with respect to voluntary coverage. Almost all of those who have expressed themselves find no objection whatsoever to the voluntary approach, as this would obviously satisfy both sides—those who want inclusion could obtain it; those who oppose inclusion for any reason could eliminate themselves.

Our studies and polls indicate that, on the question of mandatory coverage, approximately 55 percent are opposed and about 45 percent would accept it. Those who are opposed cite a variety of reasons for their position, including the economic soundness of the program compared to private insurance and personal political philosophy. The major objection, by far, however, is the one we have alluded to previously. That is the fact that because of the earning limitation in the law most self-employed professional engineers feel that they will pay into the fund for a number of years and upon reaching the age of 65 they will not be eligible for the monthly benefits because their continued earnings after that age will be more than the permitted amount. The proposed increase in the limitation to $1,000 per year does not alter the basic consideration of this point. We do not suggest that this phase of the problem could be resolved by raising the earnings limitation to a higher figure than that proposed, because it is quite unlikely that the figure could or should be raised to a sufficiently high point to permit the receipt of monthly benefits under most or all cases. Such a step would be tantamount to repeal of the earnings-limitation clause, which has been suggested in some legislation. It is realized that the removal of the earnings-limitation clause would place a heavier demand on the fund and would require the imposition of a higher contribution rate to maintain a sound actuarial basis. However, we believe that insofar as self-employed professional engineers are concerned they would prefer to contribute at a higher rate and be assured of

receiving the monthly benefits than contribute at a lower rate with the probability that most of them will not reap the benefit between the ages of 65 and 75.

A particularly unfair aspect of imposing mandatory coverage on self-employed professional engineers would occur in the case of those who had been employees in the past and thus covered by social security, and upon reaching eligible retirement age had gone into private consulting work. This is not an unusual situation in engineering, bearing in mind that the vast majority of professional engineers in this country are salaried people. For instance, we quote from a letter of a member in Baden, Pa.:

"I am 70 years of age and at present I and my wife are drawing social security which was earned before retiring at 65 years. I am at present practicing engineering, and if again covered by social security I would have to contribute and my present social-security benefits would be stopped."

Another member from Philadelphia, Pa.:

"I am one of those engineers between 65 and 75 who is in business for myself. I am receiving social-security-retirement benefits, having worked in a covered job in the past. Since my remuneration as a consulting engineer is secured through fees, I am entitled to keep my social-security check each month. If, however, the consulting engineer is to be forced into the social-security system, I will not only lose the retirement benefits I am receiving but would have to pay a percentage of my fees into the social-security system, even though I have retired from a salaried job. It doesn't make sense."

A member from Joplin, Mo., writes:

"In my own case it is not my intention to retire at the age of 65 and the year of my retirement will be decided by the state of my health. Even after retirement I expect to be able to command a living income through consultations so that the donation for social-security benefits would be an out-and-out contribution for charity. I would prefer to be able to make such contributions in accordance with my own desires."

Our files contain many other comments and views along this line. There can be little doubt that if self-employed professional engineers are required to become participants in the social security system grave injustices will be done to those now past the age of 65 and the personal economic plans of those approaching retirement age in an employee capacity, and who anticipate entry into a self-employment capacity, will be upset.

There are some cases where it would be advantageous for self employed professional engineers to be eligible for inclusion under the system. Instances have been cited to us wherein an individual as an employee had paid into the fund for a substantial period of time, but not long enough to be eligible for full benefits. In such cases it might be desirable for that person to be able to continue his participation when he enters a self-employment status if he desires to conserve and enhance his stake in the social security system. Others in self-employment feel that coverage would be desirable for that reason and others, such as the family protection benefits for the younger men with dependent children.

In the light of all the above considerations, we feel that the only sound approach is to provide a voluntary coverage system for self-employed professional engineers. This is not a new proposal, and we realize that it requires the solution of some administrative problems. However, these problems are not as severe as would be the injustices and problems arising from compulsory coverage when the majority of those directly concerned are strongly opposed to such mandatory treatment.

The traditional argument advanced against our recommendation is that the voluntary approach will result in "adverse selection" and thus there will be an undue drain on the fund. The report of the Advisory Council on Social Security issued in 1949 (S. Doc. No. 208, 80th Cong., 2d sess.) stated:

"The history of voluntary social insurance indicates that those who most need the protection seldom participate. Usually the persons who choose to participate are those who can expect a large return for their contributions and who can easily spare the money."

This may be a sound theory on an overall basis, but it does not reflect the general facts of self-employment in the engineering profession. We have pointed out that the pattern in engineering is that the great majority are employees, and it is almost without exception that the engineering graduate is an employee for a considerable number of years before he has acquired the experience and reasonable expectation of being able to succeed as a self-employed consulting engineer.

There is no reason to believe that the pattern will change in the future regarding entry into self-employment consulting services at middle age or later after a period of prior employee service. If voluntary coverage was made available to this group we believe that those who would choose inclusion would be the group with substantial past coverage as employees in order to protect and enhance their past contributions, and those in the younger age brackets who would be primarily concerned with the family protection benefits. Those in the older age brackets would more likely decline coverage so they could continue their practice after the age of 65, taking such benefits as they may be entitled to by reason of their earlier employee status. In other words, our study and the comments of those involved indicate to us tl. it the "adverse selection" theory would work in reverse as applied to self-employed professional engineers. We point out that there is a fundamental and basic difference between the engineering profession and the other professions, such as law and medicine, in terms of the percentage of the self-employed and the time of entry into self-employment.

This committee knows that when the pending legislation was approved by the House of Representatives on June 1, 1954, there was no opportunity for the submission of an amendment or amendments to exclude professional engineers and other professional groups from mandatory coverage because the House operated under a closed rule. The members of this committee also know, we are sure, that many Members of the House protested the action of the House committee in continuing the exclusion of doctors but insisting upon mandatory coverage of other professionals.

We are at a loss to understand the discriminatory treatment decided upon by the House committee as regards self-employed professionals. The explanation offered by those in charge of the legislation was twofold: (1) Doctors do not retire at the age of 65, but continue their practice normally well past that age; (2) that there was a substantial difference of opinion among the affected professional groups except for the doctors who almost unanimously opposed mandatory inclusion.

If these two reasons are valid for the separate treatment of doctors they are even more valid in the case of self-employed professional engineers. Like the doctors, as we have pointed out, the pattern among self-employed professional engineers is to continue their practice without regard to the arbitrary age of 65. In fact, the incentive and inducement to do so is stronger now than ever before in view of the unusually high demand for engineering services of all types which has been the subject of so much comment by the highest officials in Government, industry, and other fields. If the action of the House stands it will induce some self-employed professional engineers to abandon their practice at a time when they are most needed.

The second point is even more baffling. To the best of our knowledge representatives of the several engineering societies in this country, representing in the aggregate almost all self-employed professional engineers, have unanimously opposed mandatory inclusion of the self-employed professional engineers. No organization in the engineering profession has taken a contrary stand. This is not true in the case of the organizations representing the medical profession where there was a difference of opinion, both on a National organizational basis and with respect to State organizations. We know of no Stte engineering organization or other engineering organization which has advocated coverage of self-employed professional engineers on a mandatory basis.

By our reference to the discriminatory and favored treatment of self-employed doctors we do not mean to criticize directly or indirectly the stand of the American Medical Association or diminish the validity of the position they have taken. In fact, the primary reasons given by the AMA for their recommendations are the same as those advanced by our organization. We do mean to say, however, that there is no logic in selecting one profession out of many for preference, particularly when the reasons for the preference will not stand analysis in fact.

We sincerely hope that this committee will recommend action to correct what the engineering profession regards as a grave injustice.

Throughout this testimony we have been referring to a relatively small segment of the engineering profession. Of the approximately 180,000 registered professional engineers in the United States (the only group eligible to offer their services to the public as consulting engineers) only about 15 percent are in private practice. Some of this group operate through the corporate form for special reasons and hence are employees, covered by social security. We believe that a liberal estimate would indicate an affected group of only about 10

percent of those registered, or about 18,000 individual professional engineers in the entire country.

However, it is an important and vital segment of a key profession and a group which should have the encouragement to stay in active work rather than a change in the law which will induce many to leave the field. The social security system is intended to serve the welfare of those affected by it. Therefore, it would appear that the interest of identifiable groups can best be served by providing a system which reflects the desires of that group without imposing undue burdens on others. We have tried to demonstrate that in the case of self-employed professional engineers that desire, based on sound reasons, is for a voluntary coverage system. If the committee feels that it cannot recommend such a system then it would be the position of our organization that the law should be left as it is insofar as the self-employed professional engineers are concerned; that is, they should be excluded completely from coverage.

The National Society of Professional Engineers will be honored to provide any information at its disposal in connection with the committee's study and to cooperate in any way possible in the seeking of the most equitable solution of that portion of the committee's consideration which affects the engineering profession.

NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS,
Washington, D. C., July 9, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: On July 6, 1954, we presented testimony before the committee with respect to the proposed inclusion of self-employed professional engineers under the social-security system. At that time we urged that self-employed professional engineers be permitted to have an individual choice regarding their coverage.

We would like to supplement our testimony by placing this letter in the record of the hearings. Our supplementary concern is with a relatively small number of retired professional engineers who, by reason of their past employee service, are now drawing social-security retirement benefits while, at the same time, participating in engineering practice—generally on a part-time basis—as self-employed consultants. It is our understanding that H. R. 9366, as passed by the House, would cause all of these persons to lose future retirement benefits, assuming that their self-employment practice results in income over that permitted by the bill.

The House Ways and Means Committee explains the proposed change in the law as due to the fact that the present retirement test applies only to earnings in work covered by the old-age and survivors insurance system and therefore certain individuals who work in noncovered employment continue to draw their benefits regardless of their earnings. The House committee terms this situation an "anomaly" in suggesting that earnings from any type of employment or self-employment, whether or not covered by the system, should be taken into account in determining whether or not benefits should be withheld.

It seems exceedingly unfair for Congress to take action at this late date in the history of social security which will take away certain current benefits now being received by individuals in the exposed position. To deprive benefits from those who have arranged their private affairs and working plans in accordance with the law and with no expectation that such benefits would be suddenly stopped seems a much greater anomaly and an injustice. Such action, it appears to us, would be arbitrary and of an ex post facto punitive nature, contrary to our American traditions of individual justice.

If the situation described by the House Ways and Means Committee is considered anomalous, it is much more so to realize that under the proposal those to be deprived of their current benefits are individuals who are working for their income, while the cutoff would not apply to those who enjoy income from investments. In other words, it is our understanding that a self-employed working professional practitioner, under the circumstances indicated above, would lose his current benefits, but a retired person drawing benefits would continue to draw them even though he had an income from investments far exceeding the amount earned by the working individual.

The number affected by this situation is relatively small insofar as retired professional engineers are concerned but their continued professional service is urgently needed by the country at this time of high demand for engineering

services. If the Senate Finance Committee feels that the law should be changed along the line suggested by the House committee such change should be restricted to future operations only. We strongly suggest that as a minimum the committee incorporate a savings clause which will permit the individuals now drawing retirement benefits to continue to do so regardless of their current income from self employment practice.

Such action by the Senate Finance Committee would indicate an evident desire to do equity and justice for those who have relied upon adherence and faithfulness to the law.

Your consideration of these views is sincerely appreciated.

Very truly yours,

PAUL H. ROBBINS, P. E., *Executive Director*.

Senator GEORGE. Dr. Chester D. Swope.

Do you have someone with you, Doctor?

Dr. SWOPE. Yes, I do. Mr. L. L. Gourley.

Senator GEORGE. You may proceed with your statement.

STATEMENT OF DR. CHESTER D. SWOPE, CHAIRMAN, DEPARTMENT OF PUBLIC RELATIONS, AMERICAN OSTEOPATHIC ASSOCIATION

Dr. SWOPE. My name is Dr. Chester D. Swope. I am licensed as an osteopathic physician and surgeon in the District of Columbia and engaged in active practice in the city of Washington. As chairman of the department of public relations of the American Osteopathic Association, it is my duty and privilege to bring to this committee the views of the association in regard to the pending bill, H. R. 9366, entitled "Social Security Act Amendments of 1954."

At the July 1950 convention of the American Osteopathic Association, the house of delegates confirmed that—

> It is the established policy of the American Osteopathic Association that the profession not be included under the old-age and survivors insurance program.

At the July 1953 convention it was resolved that the house of delegates endorses the participation of osteopathic physicians in the Federal old-age and survivors insurance benefits program, if elective. It is the policy of the association to adopt a positive attitude wherever possible. In this case, although against compulsory coverage, the house of delegates expressly endorsed elective coverage.

The 1950 resolution against compulsory coverage was not rescinded by the 1953 resolution for voluntary coverage.

We were among several groups which endorsed coverage on a voluntary individual basis when this bill was before the House committee. The House committee in rejecting such proposals stated in the committee report (H. Rept. No. 1698), as a fundamental objection, that:

> The history of voluntary social insurance on an individual elective basis in the United States and in other countries indicates definitely that only a very small proportion of all eligible individuals actually elect to participate.

Whether such a reason is a valid objection, we have no doubt that it would apply in the case of physicians of the osteopathic school of medicine, because 6 out of 7 of them who reach the OASI pensionable age of 65 would have to pay social-security taxes, but would receive no pension benefits from age 65 to 75.

That such an inequity would obtain is borne out by the fact that of the 1,020 physicians of the osteopathic school of medicine now

in the age group 65 to 74, 85.8 percent, or 875, are in active practice. How many of the remaining 14.2 percent are retired, or are employees, or housewives, is not statistically available.

A cogent reason why so few retire after 65 is that there are not enough physicians under 65 to meet the demands of medical care. The President's Commission on Health Needs of the Nation in 1951 estimated physician shortages for 1960 at between 22,000 and 45,000. The Commission also stated—

It is our carefully weighed conclusion that the growth of prepayment plans and the extension of preventive medicine will increase the demand for physicians to a point higher than the present or predicted total supply, even if an ideal distribution were possible.

As I have stated, the American Osteopathic Association favors coverage on an individual elective basis, and not otherwise. The association is against compulsory coverage.

Our status under the bill needs clarification by this committee.

Section 101 (g) (4), page 11, amends section 211 (c) of the Social Security Act by striking out paragraph 5, which expressly excludes from OASI coverage—

an individual in the exercise of his preference as a physician * * * osteopath -

and adds a new exemption paragraph (4) reading as follows:

The performance of service by an individual in the exercise of his profession as a physician, or the performance of such service by a partnership.

That is to say, the first part of the amendment strikes out the exemption of "physicial" and "osteopath," among others, and the second part restores the exemption of "physician."

Inasmuch as section 1101 (a) of the Social Security Act provides that when used in the act the term "physician" includes osteopathic practitioners, then, technically, physicians of the osteopathic school of medicine are exempted under the amendment, along with physicians who are doctors of medicine.

When the Social Security Act amendments bill came over from the House to this body in 1950, it referred to "physicians" and osteopaths" in separate categories and there was no definition of physician in the bill.

After the testimony of Dr. C. Robert Starks, of Denver, who appeared before this committee at that time on behalf of the Colorado Osteopathic Association and the American Osteopathic Association, this committee added the following paragraph to section 1101 (a), the general definitions section of the Social Security Act, to wit:

(7) The terms "physician" and "medical care" and "hospitalization" include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law.

Referring to that amendment, the conference report, House Report No. 2771, 81st Congress, 2d session, states:

The Senate amendment contained a provision, not in the House bill, defining for the purposes of the Social Security Act the terms "physician," "medical care," and "hospitalization" to include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law. The conference agreement follows the Senate amendment.

Therefore, the exemption of a "physician" from OASI coverage, as proposed in the pending bill, includes physicians of the osteo-

pathic school of medicine, there being nothing in the context thereof to indicate an exception to the general definition of "physician" as used in the Social Security Act. We respectfully request concurrence of this committee in that conclusion.

The bill contains a similar amendment, section 201 (c) (4), page 95, amending section 481 (c) of the Internal Revenue Code to repeal the exemption of "physician * * * osteopath" from self-employment income taxes then restoring the exemption of "physician" from such taxes.

In view of the fact that the amendments appear to be in pari materia, we respectfully request that this committee evidence concurrence in the conclusion that the term "physician" as used in the amendment to the Internal Revenue Code is intended to include physicians of the osteopathic school of medicine. Should it appear to this committee that the Internal Revenue Code amendment ought to be dealt with in a different manner, by reason of the fact that there is no general definition of "physician" in the Internal Revenue Code, such as is in the Social Security Act, then we respectfully request the following amendment:

Page 95, line 20, after the word "physician", insert the phrase "(doctor of medicine or osteopathy)", so that section 481 (c) (4) of the Internal Revenue Code, as so amended, will read as follows:

> (4) The performance of service by an individual in the exercise of his profession as a physician (doctor of medicine or osteopathy), or the performance of such service by a partnership.

The suggested language conforms with that employed in the Civil Service Commission Federal Personnel Manual MI-3, which reads:

> Medical certificates for use in connection with temporary appointments and transfer, promotion, or reappointment under part 10 of the Commission's regulations may be executed by any duly licensed physician (doctor of medicine or osteopathy).

The case of *Howerton* v. *District of Columbia* held:

> The science of osteopathy has become sufficiently established to justify the classification of its practitioners within the exception of the act, "regular practicing physicians" (52 App. D. C. 230, 289 Fed. 623 (1923), construing act of May 22, 1918 (40 Stat. 560)).

There are some 12,000 physicians of the osteopathic school of medicine who are legally licensed and practicing in all the States. Approximately three-quarters of that number are members of the American Osteopathic Association. The 6 approved colleges of osteopathy and surgery (there are no unapproved schools) graduate more than 450 annually. Ninety-eight percent of the graduates enter intern training in hospitals approved by the American Osteopathic Association. Ninety-seven percent of the fall 1953 matriculants had 3 or more years preprofessional college training and 72 percent had baccalaureate or advanced degrees. Counting the 4 years' professional and the 1 year internship, graduates will have trained 8 or 9 years beyond high school in order to qualify for the practice of their profession. A considerable number will also take 1 to 3 years' residence training in the specialties in hospitals approved by the American Osteopathic Association.

Training for and establishment of practice as a physician represents a long and expensive undertaking. He enters the labor market much

later and leaves it much later in life than is generally the case in most other occupations.

The CHAIRMAN. What is the average age of an osteopathic physician upon entering the profession and starting practice?

Dr. SWOPE. After he has completed his entire education?

The CHAIRMAN. Yes.

Dr. SWOPE. I do not have that in statistical form.

The CHAIRMAN. One of the gentlemen testifying earlier said that the average age of a regular physician entering upon the active practice of the profession is 28.

Dr. SWOPE. I would think that is about right.

The CHAIRMAN. From the outline of an osteopath's education, it would take about that long before he could be ready for practice.

What education does he go through?

Dr. SWOPE. As I pointed out in my statement he will of necessity have to have 8 or 9 years beyond high school, then a residency as in surgery in his preparation and that would bring him up to about 28 years old, I would think.

The CHAIRMAN. Thank you.

Dr. SWOPE. I was referring to that at the moment. I was speaking about his entering the labor market so much later and, of course, would leave it much later.

That is one of the reasons why we are already on record with this committee in favor of income-tax deferment by way of contributions to restricted retirement funds, to enable us to accumulate savings returnable absolutely at age 65.

Mr. Chairman, we hope this committee will find it desirable and practicable to make old-age and survivors insurance coverage available only on an individual elective basis, in consonance with the related resolution of the American Osteopathic Association. In any event, we feel entitled to the same consideration as may be extended physicians of any other school of medicine in the matter of old-age and survivors insurance exclusion or inclusion.

Mr. Chairman, I should life to comment very briefly regarding the disability freeze provisions of the bill.

I understand the purpose of freezing OASI rights during total disability of the insured is to prevent such period of total disability from reducing or extinguishing his rights to retirement and survivors benefits.

According to the summary in the House report, by and large, determinations of disability are to be made by State agencies administering plans approved under the Vocational Rehabilitation Act.

Standards for evaluating the severity of disabling conditions will be prepared by the Department of Health, Education, and Welfare, and, by agreement, the State agencies will apply the standards so developed by the Department for purposes of the freeze. The cost to these agencies for their services in making disability determinations will be met out of the Federal trust fund.

Section 216 of the Social Security Act, as amended in the bill (page 73) provides:

(i) (1) The term "disability" means (A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, or (B) blindness; and the term "blindness"

means central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to 5 degrees or less concentric contraction shall be considered for the purpose of this paragraph as having a central visual acuity of 5/200 or less. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

It is understood that the term "medicine" is used in its generic sense in section 216, as so amended.

Should the disability freeze provisions be enacted into law, the success of the program will depend largely on the cooperation of the examining physicians.

The cooperation of the osteopathic profession in all the States may be depended upon, as it is in other Federal disability programs, for example: veterans' partial or total and permanent disability pension or compensation examinations by licensed doctors of osteopathy are acceptable by the Veterans' Administration under the same rules applicable to examinations by licensed doctors of medicine; the Bureau of Employees' Compensation applies a similar rule in the case of injured Federal civil employees; the Railroad Retirement Board follows the same rule for disability retirement purposes; and the regulations of the Civil Service Commission permit a similar application in the case of disability retirement of Federal civil-service employees.

Mr. Chairman, this completes my statement. Thank you for your attention and consideration.

Senator GEORGE. Thank you very much, Doctor.

Any questions?

The CHAIRMAN. No questions.

Senator GEORGE. Thank you very much.

Mr. Harry C. Lamberton.

STATEMENT OF HARRY C. LAMBERTON, NATIONAL LAWYERS GUILD

Mr. LAMBERTON. My name is Harry C. Lamberton. My office is at 1822 Jefferson Place NW., Washington, D. C. I am appearing on behalf of the National Lawyers Guild, an association of members of the bar, which, since its organization in 1936, has been actively interested in social welfare legislation.

The National Lawyers Guild believes that self-employed professional persons, including, of course, lawyers, should have old-age and survivors insurance coverage under the Social Security Act. The guild has reason to believe that this view is shared by a substantial majority of the self-employed lawyers in the United States.

The National Lawyers Guild has had numerous occasions in the past to express its views on the merits of pending legislation to amend the Social Security Act. In general, it has favored the extension of coverage to the entire gainfully employed population, with benefits high enough to provide decent minimum living standards and allowances for temporary as well as permanent total disability. It has also urged that the social-security system should be financed out of general revenues on a pay-as-you-go basis.

The time available to us here does not permit an oral elaboration of our views. They were fully stated at the time of the last substantial revision of the act in 1950 and appear at page 2061 et seq. of the Hearings Before the Senate Committee on Finance, part 3. Except for the brief comments on the provisions of H. R. 7199, we propose to devote our time to a discussion of the desirability of coverage for self-employed professional persons.

When the Congress, in 1950, amended the Social Security Act so as to extend its benefits and taxing provisions to some four and a half million self-employed persons, but excluded self-employed professional persons, the National Lawyers Guild urged that this constituted an unwarranted discrimination against self-employed persons and the National Lawyers Guild urged the Congress to amend the Social Security Act so as to eliminate this discriminatory exclusion.

We now strongly urge that this discrimination be ended by the enactment of that portion of H. R. 7199, title I, section 101 (h) (3), pages 9-13, which would accomplish this by striking of the words which excluded self-employed professional persons from coverage.

Congress recognized in 1950, when it extended coverage under the Social Security Act to self-employed persons, that the self employed need this protection just as the employed do, since the self-employed cannot provide for their own economic security any more than the employed can. What is true of the self-employed generally is also true of self-employed professional persons.

The Social Security Act now covers employed lawyers. Yet statistical data reveals that in 1947 self-employed lawyers earned less in net income than employed lawyers. Moreover, employed lawyers generally face the prospect of higher incomes and pensions as well, whether they are employed by the Government or by private industry. Thus, there is presented the gross inequity that those who are more secure are more protected, while those who are insecure are deprived of protection.

In 1947, according to the Department of Commerce, half the lawyers in the United States earned less than $5,200; more than a fourth earned less than $3,000; less than 16 percent percent earned over $10,000. Incomes are, of course, higher now than they were in 1947, but so are living costs and taxes. It is plain that most lawyers cannot afford to purchase the annuities and life insurance which they need and could have if they were covered by social security.

It is clear that the lawyer, like the dentist, the doctor, and other self-employed persons, needs the pension and life-insurance protection of the Social Security Act just as much and indeed, far more than corporate executives and self employed businessmen and employed lawyers.

Moreover, the benefits available under the Social Security Act could not be purchased by self-employed lawyers through private insurance except at far greater cost. The studies made by the national committee on social legislation of the National Lawyers Guild indicate that because of the pooling of risks and the economies of social insurance, the same benefits available under the Social Security Act would cost self-employed persons 35 times as much as would the same benefits under private insurance for a person at age 65, 5 times as much for a person at age 45 and twice as much for a person at age 30.

There is no reason, in justice or fairness, why these benefits available now to 45 million Americans, including self-employed businessmen, should not also be available to self-employed professional persons.

In 1950, when Congress excluded self-employed professional persons from the coverage then being extended to all other self-employed persons, Congress did this because Members of the Congress believed that the professions did not want coverage. The only basis they had for so believing was that representatives of the American Bar Association, the American Medical Association and the American Dental Association expressed their opposition to inclusion.

The National Lawyers Guild, which has always strongly favored coverage, believed then and believes now that it expressed the real wishes of the legal profession, the great majority of whom are not members of the American Bar Association. The National Lawyers Guild believed then and still believes that it speaks for the best interests of the profession. Indeed, before 1950, and in 1948, the New York City chapter of the National Lawyers Guild made a questionnaire survey of the legal profession in that city and ascertained that out of 2,378 lawyers answering the questionnaire, over 90 percent favored social-security coverage.

The CHAIRMAN. Were those members of guild?

Mr. LAMBERTON. No, all members of the bar in New York City.

The CHAIRMAN. How many members of the guild are there?

Mr. LAMBERTON. I don't have the figures on that. We have chapters in most of the larger cities of the United States. It is a much smaller association than the American Bar Association.

The CHAIRMAN. But you don't know the total membership?

Mr. LAMBERTON. I don't know the total membership.

In the 4 years since the 1950 amendments to the Social Security Act, abundant evidence has been provided that the National Lawyers Guild did actually express the real wishes of the legal profession.

In September 1951, Senator Lodge (Massachusetts) took a poll of his own. He wrote to each listed lawyer in most of the larger cities of Massachusetts asking for a statement of views on social-security coverage. He received 1,669 replies and informed the Senate subsequently that 1,481 or 88 percent "declared themselves most emphatically in favor of coverage."

In May 1952 the National Lawyers Guild took a national poll of the legal profession on this subject. It arranged for a disinterested agency to make a mechanical selection of every 10th lawyer in the United States from its list of all of the lawyers in the United States and then arranged that another disinterested reputable organization, Recording & Statistical Corp., which conducts polls for advertising and industrial organizations, should receive, tabulate, and certify the poll. The latter organization certified to the National Lawyers Guild on June 6, 1952 that of 3,163 ballots received, 2,276 or 72 percent voted in favor of social-security coverage for the self-employed lawyer.

The CHAIRMAN. How many questionnaires did they put out, do you remember?

Mr. LAMBERTON. I don't know, sir. They went to every 10th lawyer. I haven't the figure on the total number of lawyers in the United States.

The CHAIRMAN. Thank you.

Mr. LAMBERTON. According to a press release dated May 25, 1953, of the Integrated State Bar of Michigan, a poll of its 7,800 members, of whom 54 percent returned ballots, showed a 2-to-1 vote in support of extension of coverage to self-employed lawyers.

In New Jersey, a poll taken by the New Jersey Law Journal, in August 1953, showed the following results: Of 686 lawyers voting, 631 voted in favor and 52 against social-security coverage for the self-employed lawyers, New Jersey Law Journal, August 27, 1953, page 1.

The Association of the Bar of the City of New York on March 9, 1954, adopted a resolution recommending that lawyers be covered by the Social Security Act.

According to the New York Law Journal of June 21, 1954, the New York County Lawyers Association, having approximately 8,000 members, had polled its entire membership on whether or not they wished coverage. The vote was 2,011 in favor, and 1,230 opposed.

It is significant that self-employed doctors and dentists have similarly indicated their desire for social-security coverage, thus demonstrating that the representations to the Congress by the American Medical Association and the American Dental Association failed to express the wishes of those professions just as did the representations of the American Bar Association with respect to the real wishes of the legal profession.

Thus, Congressman Kean (New Jersey) announced in December 1953 the results of a poll conducted by the Essex County Medical Society, reporting that the membership favored coverage by 6 to 1.

The Medical Society of the County of New York, with some 8,000 members, adopted a resolution favoring social security benefits for doctors in March 1952. This was reaffirmed in the spring of 1953 and again at the November 1953 meeting. On April 28, 1952 the Kings County Medical Society, with approximately 2,500 members unanimously adopted a resolution favoring social-security protection and adopted a similar resolution on November 17, 1953.

Dentists, too, have expressed an overwhelming desire for inclusion within the social-security system. In April 1954, a post-card ballot mailed by the bulletin of the Bronx County Dental Society found that the vote was 542 to 3, or 99.45 percent in favor of social security protection.

The First District Dental Society of New York, perhaps the largest dental organization in the country has, after a referendum of its members, adopted a resolution in favor of social-security protection for the self-employed dentists.

All of the foregoing serves to substantiate the position taken by the National Lawyers Guild that self-employed professional persons not only need social-security protection; they want it.

The National Lawyers Guild urges amendment of the Social Security Act to include self-employed professions within the coverage of the old-age and survivors' provisions of that act.

The other proposed amendments to extend coverage are favored by the National Lawyers Guild since they move in the direction of universal coverage. Such increased coverage is in the national interest. It would help to protect the stability of the system.

The proposed increases in benefits are obviously inadequate in relation to any standard reflecting a minimum decent standard of living. It seems doubtful that benefit increases made since the creation of the social-security system and now proposed in H. R. 7199 do more than to compensate for the decrease in the purchasing power of the dollar during the same period. We believe that more than this is needed not only out of consideration for the beneficiaries but to insure the purchasing power of the people and to strengthen the domestic market in our own country at a time of increasing unemployment.

The vast reserves being built up in the social-security fund work in the opposite direction, draining away purchasing power. By adopting a pay-as-you-go fiscal basis, benefits could be increased to a point more nearly approaching a decent minimum living standard.

The slight increase proposed in the amount a beneficiary can earn without sacrifice of benefits also moves in the right direction. The increase is, however, too meager. We hope that the allowable earnings will be increased still further.

We urge the adoption of H. R. 7199 or the amendment of H. R. 9366 by the inclusion of such provisions of H. R. 7199 as we have here supported, and earnestly hope that the provisions will be liberalized in the direction suggested.

Thank you very much, gentlemen.

Senator GEORGE. Dr. James L. Doenges.

STATEMENT OF DR. JAMES L. DOENGES, ASSOCIATION OF AMERICAN PHYSICIANS AND SURGEONS

Senator GEORGE. You are representing the American Association of Physicians and Surgeons.

Dr. DOENGES. Yes, sir.

It is not in this testimony but since the point was raised immediately preceding my appearance, regarding a misrepresentation that the AMA did not speak for us, I would like to call the attention to the committee that of the fact that of better than 1,900 county medical societies conducting votes at the county society level, only 6 have voted in favor of inclusion in social security. My own Congressman, the Honorable John V. Beamer just sent me this letter dated July 2 summarizing a survey he conducted in our district. He reports that of the physicians who responded 146 said "No" and 19 said "Yes" to the question as to whether or not they wanted to be included.

I wish to thank the chairman and this committee for the privilege of appearing before you to register opposition to H. R. 9366, formerly H. R. 7199, on behalf of the Association of American Physicians and Surgeons, of which I am president-elect, and the Madison County Medical Society, of which I am president. This comment also reflects the opinion of a large number of individuals with whom I am acquainted, but for whom I have not been instructed or authorized to speak.

In order to make my position very clear, permit me to state that I am fully cognizant of the fact that the measure against which this testimony is directed is a so-called administration measure. The fact that the bill has passed the House of Representatives by a vote of 355 to 8, is somewhat impressive, although the reason certain individuals

voted for this measure detracts considerably from the importance of the number. The fact that a relatively large number of Senators support the measure is also known.

It is with no little apprehension that this task is approached. However, in this republic the Congress of the United States, by the Constitution and Bill of Rights, is the first body to which those of us who are in the minority must turn for the protection of our individual liberties, freedoms and rights. This comment is directed to you, as sworn supporters of the Constitution and Bill of Rights, to request that you retain the purpose and intent of those greatest of all documents establishing government among men, and permit the American people the protection to which they are entitled, in spite of the fact that the group for which this testimony is made is a definite minority at this time.

You are so frequently pressed for doles, appropriations, grants, special favors, and other privileges for certain groups at the expense of others, that it would seem to me somewhat refreshing, and I certainly hope impressive, that this testimony is directed in the opposite direction. We ask no special favors. We ask no Federal funds. We ask merely that you refuse to take from us certain of our rights as citizens, our rights to plan our own futures, and that you not extend the questionable benefits of a Federal dole to this minority, the members of which do not desire to become wards of the Government.

We request that you stop the usurpation of our personal and individual rights and responsibilities, and that, at this time, you establish once and for all a barrier against the usurpation of individual rights and liberties and responsibilities by an ever-growing, power-grasping, Federal bureaucracy.

Our representative government has never been and can never be anything except an agent of force. Governments cannot deal in charity. Government itself is an abstraction incapable of the high motives of charity and other personal rights, responsibilities, and attributes. Force and compulsion and charity are totally incompatible. This Government cannot dispense 1 benefit, 1 gift, cannot grant 1 appropriation, 1 favor, or spend 1 cent which it has not wrested by force, actual or implied, from the individual citizens of this Nation. Congress cannot grant benefits to the recipients of old-age assistance without first extracting the funds from other citizens.

You have at your disposal the volumes of testimony presented before the subcommittee of the House Ways and Means Committee on this bill. These hearings did not touch upon the basic philosophy of the so called social insurance, nor did they deal in any detail with the fallacies and unsound policies of the present system.

It is important to emphasize that the report of the House subcommittee was promised to the people of this Nation and to Congress, by the last of 1953. To date, this report has not been forthcoming. It is my impression that the sum of $100,000 appropriated for and expended upon this investigation included the sum of $10,000 for the preparation of a report of the findings. It is also my impression that the original report, prepared by the individual supposedly paid this sum, has been suppressed and that a new report, written by an entirely different individual, is in preparation but will not be available until after Congress has acted upon these bills. We protest this type of procedure. The citizens of this Nation have a right to know the results

of these investigations, in spite of the fact that it seems certain the report which is in preparation will be of little or no value.

I will not indulge in a review of the hearings, but, with very few exceptions, will approach this matter from a different point of view.

Much of the testimony presented before the House subcommittee was given by individuals who believe, or represent themselves to believe, that Government is the source of benefits—handouts for all people. They were asking for gifts, money, and what they regard as their share of the Federal Government's largess.

They follow the pattern which has proven so successful in attaining the authoritarian state in many European nations, actual socialism in many instances. Permit me to illustrate.

In the last 100 years, one of the best examples of the so-called progress of so-called social insurance and social security, carried to the ultimate, is to be found in the history of the German nation under Bismarck. This example is used because the course of this program in the United States has been, and is, quite parallel. Leaving out all detail, we find that the Bismarckian social insurance first encompassed only those who were in very low income groups and the aged poor. It promised them certain benefits in return for a ridiculously small tax. Careful manipulation and very clever propaganda caused other groups of slightly higher incomes to demand that they be included and be given similar government benefits. This process continued, each group of a slightly higher income being brought under the system in gradual steps, usually through well calculated demands.

After all, why should not a worker earning only a few marks more than another, cry out for his share of government gifts? Soon every segment of the economy was included. The funds thus obtained were utilized to meet current expenses, and so-called indebtedness was incurred for future benefits. No longer was there need for the friction of a special tax. Everything came from the tax providing the general funds.

This identical procedure has been followed in many countries. It has been followed here. At this moment, we stand at the final point of resistance with only a very few relatively small groups, including those I represent, requesting that Congress not remove our rights, but permit us to maintain our individual liberties to plan our future, to permit us to do as we see fit with the products of our labors, and that Congress refuse to force us to become a part of an impossible, immoral, and fraudulent scheme.

Basically, the system is wrong, if you believe in the sovereignty of man and the Christian ideals upon which this Nation was founded. The system is wrong because it removes personal responsibilities as well as personal rights. I do not believe it amiss to point out that nowhere in the Scripture, which, in the final analysis, states clearly the principles upon which our Nation was founded, is there any passage which places responsibility for your acts or my acts, or your future or my future, upon the Masonic Lodge, the Presbyterian Church, the Association of American Physicians and Surgeons, or the Congress of the United States. This same Scripture is filled with statements of personal responsibility for one's actions, and for the care of his own.

Our Government was founded upon the principle of the sovereignty of the individual. In retaining the sovereignty of the individual we cannot, nor can Congress, by any means, remove the corresponding responsibility from the individual. Any system which attempts to remove responsibility from the individual is immoral and dishonest. There can be no denying that rights and responsibilities are inseparable. We Americans want our rights which have been guaranteed us by the Constitution and Bill of Rights, and we humbly request that you refuse to remove our corresponding responsibilities.

It seems to be generally accepted that the system referred to as social security is not insurance. It is patently not secure, and there is serious doubt if there is anything social about it, except that it has, in every nation, led to and been a most important part in the imposition of socialism upon the people.

So there will be no doubt about my meaning, permit me to quote Webster.

Socialism is defined as:

A political and economic theory of social organization based on collective or governmental ownership and democratic management of the essential means for the production and distribution of goods; socialism * * * favors extension of government action.

Of equal importance, compulsion is defined as:

Act of compelling, or state of being compelled; act of driving or urging by force or by moral or physical constraint; subjection to force; coercion—the act, process, or power of coercing, specifically the application to another of such force, either physical, moral, as to constrain him to do against his will something he would not otherwise have done.

I do not believe there is a Member of Congress who would not agree that the so-called social-security system is one which the Government would not permit a private corporation or group of individuals to operate. This statement could be discredited by commenting that it is not relevant, but there are many of us who believe it is very relevant, and that it is a very important point in proving the fallacy of the social-security system.

In the final analysis, Government can have, and has, no rights superior to or exceeding those which are delegated to it by the individual citizens, providing we agree that this Nation is founded upon the sovereignty of man, and that our Government derives its just powers from the consent of the governed. Obviously, individuals cannot give or assign rights they do not possess. Therefore, Government cannot possess or exercise rights in any area exceeding those possessed or justly exercised by those who gave the rights. This Government would immediately brand as a fraud and proceed with legal action to punish any individual or group selling a plan as unsound, as impossible, as the social-security system. This fact alone should be sufficient to cause rejection of this bill and of the entire system.

Another parallel in the present social-security system and that of Europe has to do with the basic philosophy underlying the support of, and development of, such programs. Every program of this nature, whether it is compulsory social security, compulsory health insurance, or what have you, has its origin, basically, in the fact that some people believe that the rest of the citizens, or at least certain segments of the economy, are unable to provide or plan for their own futures, or

are unwilling to do so. With this sense of superiority, those who regard their fellow men as inadequate, having convinced themselves of their own more than sufficient adequacy, determine that they should decide what should be done for their not so erudite fellow men, even to the point of employing the legal agency of force—Government—to shower the dubious blessings of benefits, adequate health care, and many other items upon all citizens or certain groups.

Stripped of its gloss and stated with blunt frankness, we must admit that this is, in the final analysis, the decision of the few, that their fellow men have insufficient intelligence to care for themselves. The only logical conclusion for those who think so poorly of others is that they themselves are among the chosen few to decide what is best for others, and to bring that which they believe to be best to the others by force, if necessary.

This is the most dangerous type of thinking to which any individual can subscribe, since it is the fundamental tenet of authoritarianism, and must, if placed in action and carried to the extreme, result in the authoritarian state. It should have no supporters in this Republic. The individuals in the groups which I represent, reject this type of thinking and brand it as false. We do not believe that we are God's chosen, or that there is any individual or group in this Nation, which is so superior to the rest of us, that we or they should usurp the individual rights of any citizen or group of citizens.

In the last few years, the approach has changed. We now find many extremely capable executives, businessmen, and other individuals forced into the social-security system. The only groups remaining free are some of the professional people, some employed, and certain self-employed. Even the most ardent authoritarians find it impossible to show that these individuals are incompetent, unable to care for themselves or provide for their future.

Those who plan for Federal control of all of us find it difficult to convince anyone that professional groups and others who have been more successful in every way, are inadequate or that the bureaucrat, receiving a Federal salary, knows more about planning another's future than does the individual himself. Their own success fails to warrant any particular confidence in their ability, especially since those they would compel to accept the blessings of their superplanning, have good retirement programs, in fact, much better programs than those accepting the authoritarian idea are able to offer. A new approach has developed. We are told now that the groups presently excluded should be brought into the social-security system, to pay their rightful share of a welfare program for all. We reject this type of thinking. It is false. It is a mask for the acceptance of the Communist idea of the redistribution of wealth, as a number of the proponents have admitted that most of the professionals will never claim one benefit from the program.

This last group is, in essence, regarded as a source of funds to attempt to salvage an impossible, actuarially unsound system of Federal grants. It is no less than another tax, a very poorly disguised and unfair class-discrimination tax at that.

Semantics play an important part in the success of any of these programs. I would call your attention to the use of the word "excluded," since it shows very definitely how the prostitution of the

English language has resulted in a complete reversal of the true meaning and intent of these programs. It is stated that certain of us are excluded. This implies that we are kept out, that we are, against our will, not permitted to participate in certain programs for benefits.

This falls in line with the socialistic programs which have been so carefully planned for many years, and which we now see evidenced by statements and discussions about permissive law. We are told that if Congress alleviates part of our tax suffering, by reducing taxes upon the individual, that Congress is permitting us to keep more of our income. This sounds very nice, but I submit that it was never Congress' money in the first place, and that Congress is not permitting us to keep a part of our income, but is merely taking the hands of the Federal tax collector off of part of our income to which he had no moral right and was never entitled in the first place. To say that we are excluded from social security, is a brutal falsehood. It is proved a falsehood by the utilization of compulsion and coercion upon those who are included.

In the final analysis, the social-security system is socialistic in philosophy, in operation, and in intent. The philosophy upon which social security is based accepts the idea that the Government is responsible for alleviating poverty. It accepts the idea that authority flows from the Government to the people, not from the people to the Government. It accepts the idea that Government is responsible for the individual, not the individual responsible for his Government. These facts cannot be denied, and unless one is willing to accept the socialistic philosophy in all areas and action, he is morally bound to reject and should be totally unwilling to accept any part of the philosophy in any isolated area. The rejection or usurpation of individual responsibility goes hand in hand with the destruction of individual rights, in every modification of the socialistic principle. The social-security law does exactly the same thing.

In operation, it follows every other socialistic security program which has ever been in existence, and copies the compulsion and other features to a letter.

The intent is clear. It is to make everyone a ward of the Government, destroy personal responsibility and incentive, and to be an agent in the process of levelling.

In the publication Social Security Financing, published by the Social Security Administration in Bureau Report No. 17, 1952, frequent reference is made to acceptance of this principle and it is plainly stated and admitted in a number of places in that publication that one of the principle features of universal social security involves the redistribution of wealth.

Another publication by the same agency, entitled "Common Human Needs," states on page 57, and I quote:

> Social security and public-assistance programs are a basic essential for attainment of the socialized state envisaged in democratic ideology, a way of life which so far has been realized only in slight measure.

In June 1949, in the Woman's Press, Dr. Eveline M. Burns, then professor of social security, New York School of Social Work, Columbia University, and now, according to my information, retained by the Department of Health, Education, and Welfare, stated the following, and I quote:

I am aware that it has been held that if only the vast mass of Americans would spend their income more wisely, devoting fewer dollars to movies and tobacco and automobiles and the like, they would be able to afford to buy private insurance against medical expense. This argument is unconvincing: first, because in our kind of free society I see no way of insuring that people will spend money more wisely, at least so long as we permit advertising or are unwilling to check the consumption of certain commodities deemed unessential by levying prohibitive taxes on them or by other methods.

It seems to me more reasonable to accept the fact that most people are not wholly wise in spending their private incomes, and, just as we have done in regard to education, that we should tax all incomes sufficiently to provide whatever our society regards as the acceptable minimum of health service, leaving people to spend the rest of their incomes as wisely or foolishly as they see fit.

I would like to state at this point that I cannot find words to express my opinion of any individual's statement such as that which indicates the low regard in which that person must hold his fellow man.

The individuals for whom I speak reject this type of thinking and the socialistic philosophy which underlies such expressions. We believe that no other American will desire to spend his income exactly as we desire to spend ours.

We believe that each individual may place different degrees of importance upon certain items which may be regarded by many of us as unimportant, foolish, or wasteful, but I submit to you that it is not my province, nor is it the province of the Congress of the United States, to state that because some individual wants to spend his money in a manner different from that in which I want to spend mine we have any right to prevent him, or to attempt to prevent him, by the utilization of force to do so. The only proper means at our disposal, if we believe in the sovereignty of the individual, is that of persuasion and example. Some may call this education. I refuse to use the term, since to use it in this sense would imply that the speaker regarded himself as "educated," and this speaker totally rejects the idea that any of us ever becomes sufficiently educated to warrant the use of force—in this case the passage of laws—to propagate his beliefs.

It is very easy to state that the quotations which I have given have been quoted out of context, that they constitute a very small part of the printed matter in each of these publications. This is granted, but let us not close our eyes to the true meaning of these statements, since they are the key points and key sentences in the entire texts.

I would point out that practically all of the writings of Marx and his fellow Communists are couched in high-sounding phrases dealing with the betterment of man.

Those of you who have read these publications will readily admit that the principles underlying communism, as stated by Marx, are, and can be, listed in a very few words. The statements I have quoted are as important in this connection as are the points of the Communist manifesto.

It would be impossible to dwell too long upon the simple fact that the social-security system is socialistic, that it is an important and fundamental part of every socialistic form of government in the world, that it destroys individual initiative, individual rights, and individual responsibilities, thus reducing the previously noble American citizen, a sovereign individual, to the level of a menial, working for the all-powerful state.

We are amazed at certain inconsistencies which appear in the acts of Congress and the administration. Everyone seems to be, and

usually states very openly, that he is opposed to socialism in any form and that he is opposed to compulsion. In spite of this, one measure after another, the result of which is socialistic, is sponsored by and passed by those same opponents of socialism. This is a most confusing sight to those of us who are not sufficiently enlightened to understand how an individual or group can oppose socialism and yet work to achieve the enactment of laws which result in the realization of the Socialist state.

Speaking before the house of delegates to the American Medical Association, the President of the United States stated very openly his opposition to socialism and compulsion. He has assured us, many times, that he is opposed to socialized medicine in any form.

However, important parts of the so-called administration program, including the use of force to place another 10½ million people into the socialistic program known as social security, are sponsored as "administration" measures. To illustrate our thinking on these measures, let me point out that the extension of social security proposed in this bill, H. R. 9366, compels or forces an additional 10½ million individuals into the social-security system.

How one can be against compulsion, state his opposition to the use of compulsion, and sponsors a bill which compels individuals, against their will, to become part of the social-security system is beyond the compresension of any individual who understands the meaning of the words.

This is no place to discuss such measures as so-called health reinsurance and other measures which, if they become law, will eventually result in socialized medicine.

Even the Hill-Burton Act retains to the Federal Government the right to take over hospitals and other facilities supported by these funds, within a stated period of time, providing the administration of the unit does not satisfy certain Federal agencies.

Some may say this is crying "Wolf," but I assure you it is not. Those who are planning for the socialization of this Nation, including the socialization of my own profession, have learned well their lesson from foreign nations. They have observed the defects and pitfalls of the national health service act in England, and in this country they are studiously avoiding the same areas.

The expressed opposition to socialized medicine seems very hollow, when brought side by side with the facts. In the bill under discussion, we find one section which definitely leads to the entrance of Government into the practice of medicine.

In the section described as preservation of insurance rights of individuals with extended disability, beginning page 71, line 3, we find provisions which will, in the final analysis, place the medical profession, for the first time, in the employ of the Federal Government, for the care of civilians.

Aside from the various qualifications and restrictions which are listed in the pages to follow, we find at the bottom of page 73, disability defined as, (line 25)—

any medically determinable physical or mental impairment—

On page 74, beginning line 10, the—

Secretary or any other officer or employee of the United States

is not authorized—

to interfere in any way with the practice of medicine or with relations between practitioners of medicine and their patients.

On page 78, line 8, section 221, through line 16—

(a) In the case of any individual, the determination of whether or not he is under a disability, as defined in section 216 (i) and of the day such disability began, and the determination of the day on which such disability ceases, shall, except as provided by subsection (g), be made by a State agency pursuant to an agreement entered into under subsection (b), except as provided in subsections (c) and (d), any such determination shall be the determination of the Secretary for the purposes of this title.

Similarly, page 79, line 3 through 22—

(c) The Secretary may on his own motion review a determination made by a State agency pursuant to an agreement under this section, that an individual is under a disability and, as a result of such review, may determine that such individual is not under a disability or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency.

(d) Any individual dissatisfied with any determination under subsection (a), (c), or (g) shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g).

(e) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the trust fund, in advance or by way of reimbursement, as may be mutually agreed upon, the cost to the State of carrying out the agreement under this section.

The sum of this portion of this bill quite obviously requires that disability will have to be certified by a physician. Payment for services rendered are to be from the trust fund and are to be subject to rules and regulations issued by the Secretary of Health, Education, and Welfare. This definitely places the physician in the practice of medicine within the legal framework of the social-security or social-insurance program.

This is one of the most important steps toward Government control of the practice of medicine which has ever been proposed.

Arguments to the effect that the Government would not be paying for the treatment of these patients may be valid at this moment but it is a very short period of time, if present trends and the usual procedure is followed, until the treatment would be included.

Doctors, under this bill, would be required to certify permanently and totally disabled individuals, and would be paid on the basis of a fee schedule set up by the Department of Health, Education, and Welfare. By doing this, the practice of medicine is brought into the compulsory social security so-called insurance program.

If social security covers the entire population of this Nation, and in view of the fact that ever-increasing numbers of individuals may eventually become permanently or totally disabled, those recipients of social-security benefits who are "excluded" will, quite logically, clamor for partial disability payments at a later date. As all segments of our population are forced into the social-security system, they will be forced to pay a tax for Government medical service. This service will be paid for and controlled by the Federal Government.

This section also requires that an agreement be reached between the Federal Government and a State agency, but it is quite obvious that

only individual physicians can certify disability. After this certification is made, a physician is then told that—

> the Secretary may, on his own motion, review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability and, as a result of such review determine that such individual is not under a disability or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency (sec. 221 (e)).

This merely states that a lay officer of the Federal Government may override a medical decision.

It is granted that there is provision made for appeal, but it is quite obvious that few appeals would ever be made, since the first appeal must be made to the Secretary. In this case we have the legislative and judicial function residing in the same individual. It is quite obvious that it would be more than a waste of time to go to the courts on a matter such as this, since the time and money which would be required make it unreasonable to appeal the decision of the Secretary.

Under the proposed law, practically all of the population of this Nation would be brought under the benefit "freeze" provision. There are many of us who feel that the best interests of our patients can be served by treating them as private patients and not as wards of the Government. As our population grows, and as our population ages, the number of permanently and totally disabled will obviously increase.

Those of us who have taken care of families for years, will find it necessary to either become an employee of the Federal Government or have those patients for whom we have cared, who want permanent and total disability claims established, consult other physicians, if we refuse to participate in the program.

This is more than an idle threat. In essence, the Government is saying to us that, as professional men, we must comply with a Federal edict and become Federal employees, or eventually lose a part of our practice to some other individual who may not mind entering into the contract practice of medicine with the Federal Government.

This provision forces upon the physician a choice of doing that which many of us feel to be wrong or penalizing us for doing that which we believe to be right.

We are perfectly willing to grant that the initial portion of this program is relatively minor. However, the eventual result is enormous and will do much to establish national compulsory health insurance in this Nation.

The employer's withholding of the social-security tax is one of the worst features of socialism which has been introduced into this Nation. It cheats the employee of the right and privilege of personally supporting his Government and of paying the tax which has been levied upon him. It keeps from him the actual pain of giving up part of his property, a process which, if made personal, can frequently be very unpleasant. Withholding tax is one of the cleverest of all socialistic measures.

This social-security withholding tax is only a part, and one of the very clever levers to force the Nation into an overall socialistic system. A part of this plan requires that the individual wage earner become accustomed to, or become insensible to, having part of the product of

his labor, his private property, taken away from him in such a manner that he is not aware of his loss, or that he can become convinced that someone else is paying the bill for him. In the final analysis, the wage earner always pays the entire tax. These procedures weaken the wage earner's resistance to other Government controls, remove part of his rights, and reduce his possibility of retaining his independence. Any Government which can take part of a man's wages or earnings, can, and in the final analysis does, control his life.

If we accept the idea that it is the responsibility of Government to alleviate poverty, how can we stop short of complete socialization, giving to Government the right to alleviate any condition which might produce any inconvenience to the citizen or the Administrator?

The procedure which forces an individual to invest in a business already more than $270 billion in debt, and incidentally, going further into debt by the hour, is not what most of us would regard as encouraging him to make a good investment. It is self-evident that no individual would make an investment in a corporation in a similar financial situation, and that the only way investors can be obtained is through compulsion.

Social security has been used as one of the very important levers to secure compulsory retirement at the age of 65. The ramifications of this single act are too extensive and too numerous to mention. However, we must admit that social security is, and has been, used as an important part of the argument used to force many perfectly capable individuals to retire, to leave productive activity. A great number of these individuals, by far the majority of them, are still in some of their very productive years. No one denies that the strength of this Nation depends upon the productivity of its people. Social security and other similar measures have done irreparable damage to the moral fiber and the morale of our people, and has reduced the total productivity of our Nation, by forcing them out of productive activity at this arbitrarily set early age.

I feel certain that you Senators would never approve a measure forcing legislators to retire at the age of 65. We have had several Presidents and many Senators and Representatives who have served their country well at ages far in excess of that setup by the social-security system for retirement.

As much damage has been done to the morale of that great group of our fellow citizens known as our "senior" citizens, by this procedure, as social-security proponents claim it could ever do good for them.

In this connection, I would like to point out a very obvious fallacy of placing the self-employed, the productive, and those willing to work, under the social-security system. I will speak especially of the medical profession. A loud cry has gone up in the past years, attempting to convince the people of this Nation that we are undersupplied with doctors, that we need more doctors. This has been so successful that some have proposed that the Federal Government supply so-called health services, facilities, and medical education in order to alleviate what is described by some as a serious situation. A growing population, even with modern advances, requires an increasing number of physicians. We welcome them to our numbers, under the principles of the market economy.

We do not understand how the supply of physicians can be increased by forcing our senior physicians, our consultants, to retire at the age

of 65. Especially in the field of medicine and its allied arts, we find the men of 65 and over to be our best consultants. Every one of them carries a definite and sizable "patient load."

Those of us who have not reached that stage of maturity, depend upon them for opinions based on their years of experience. They help us become more proficient in our profession, and we learn from their experience. At the age of 65, a physician's judgment, as a whole, is certainly at or near its peak.

What sort of evil would it be to force these men to retire from active practice at that age? It is well known that very few physicians ever retire. The percentage is so small that to apply compulsion to force any of them to retire at that age would do serious damage to the practice of medicine, and could create a very real and serious shortage in our numbers. It would remove many of the best minds of medicine from availability to those of us who need and desire their assistance and counsel. However, since these are facts, and since Congress is supposedly interested in maintaining the high health standards of this Nation, how can Congress possibly enact a law which would in any way reduce the health facilities and personnel of this Nation?

Since very few doctors retire, we must in turn admit that Congress would be forcing a calculated fraud upon the physicians to compel them to enter the social-security system. You are very well aware of the fact that if the physician, or any other person, fails to retire he does not receive the benefits for which he will supposedly have paid.

He will, in this manner, have been forced to pay an additional discriminatory and unfair tax. I do not believe the Members of Congress feel it is fair, or by any stretch of the imagination, right, to force any group into this type of situation. It would leave only two alternatives: Retire and reduce needed medical care for the sick, or be forced to pay an additional tax into a fraudulent system.

Another feature which is totally wrong, and even dishonest, is the provision which prevents any individual from drawing his so-called benefits if he refuses to be relegated to a life of useless inactivity and finds a job at which he earns more than a stated figure. It matters not what that figure may be, it is wrong, even dishonest, to punish any individual for refusing to become a ward of the Government.

I am certain you will admit that the Federal Government would never permit a private company to operate a so-called insurance plan in this manner. There is no doubt that any company treating its so-called beneficiaries in this manner would be denounced loudly, put out of business, and in all probability its officers would be punished severely.

Possibly we may be expected to excuse this type of fraud by the Government, especially since you and I know what most of our fellow citizens do not realize, and that is that this Government, and its social-security agency, does not have a contract with any social-security taxpayer. We know that Congress can reduce or completely eliminate so-called benefits at any time. This certainly provides a convenient escape not permitted private insurance companies. It is proof perfect that the program is not one of insurance, and that it is so unsound that the Federal Government itself cannot calculate any part of its ability to pay in the future.

Congress admitted at the passage of the social-security law, and has reaffirmed at each extension of the law, its conviction that the

individuals of this Nation are not in favor of and do not want this program.

The American people were—and still are—honest, hardworking, and informed people. Congress has admitted that our people do not want the program by the use of compulsion and the withholding-tax method.

No one will deny that the social-security program would fail if it were not for compulsion. It is accepted that such programs must be compulsory, or the people will not accept them. The practice of withholding tax is vicious and actually dishonest. The use of the withholding tax is proof that those who pass the laws have no faith in the honesty of their fellow men. Why should an American citizen not be trusted to pay his taxes?

If we believe that a man has a right to the product of his labors, it certainly is wrong to take part of it from him before he receives it. We would gladly challenge anyone to pay the wage earner in full and then try to collect the social-security tax from him—the story would be much different—and I can assure you that no individual who has assisted in passing the Social Security Act, the withholding tax, or in any of the extensions of the law, would seek the job of being the tax collector in this instance. If compulsion were removed, the entire program would disintegrate before our eyes.

Even with the withholding tax and the compulsion, I dare to estimate that many of us will live to see the disintegration of the social-security program. Contrary to some thinking, social security is not a permanent part of the American way of life. It is foreign spawned and nurtured, the parent of socialism, and one of the most important parts of every socialistic scheme for obtaining and keeping control of the citizenry by destroying individual liberty.

Social security will disintegrate by degeneration into full-blown socialism with no attempt being made to go through the motions of collecting a special tax, or, if this Nation does not go socialistic, the social-security system will eventually be admitted to be impossible, a fraud, and will be rejected by the people themselves if they ever are given a voice in this matter.

We need not discuss the fact that this is not a funded program. The honorable Senator, chairman of this committee, summarized this situation adequately when he stated that "Security cannot be in insolvency." All agree it is actuarially unsound. Many realize that the obligations are rapidly approaching, even exceeding, our total national worth. It is not insurance. It has no guaranty to the taxpayer. At this moment it has an obligation of between one hundred and seventy-five and two hundred billion dollars, with less than 22 billion so-called reserve to meet this obligation. It is difficult for anyone to explain how recipients can continue to receive not less than 6 times the amount of their tax, in so-called benefits, and in many instances even a hundredfold return on their tax. We all realize that this situation is impossible, and for this reason, as well as others, many of us find it most difficult to understand why Congress continues to extend the coverage and increase the benefits. These procedures merely hasten the day of reckoning, guarantee complete loss of confidence in our Government, and assure utter tragedy for our children.

Let us admit that the money taken into the social-security fund is spent. That is common knowledge. Let us look at the special issues

of 2-percent Treasury bonds. The sleight of hand which makes a liability of the people become an asset bearing 2 percent interest is really remarkable. Fundamentally, every Government bond is a Government debt. A Government debt is a debt of the people. The Government can get the money to retire the debt from only one source—taxes extracted from the very people who put the money there in the first place, and force them to pay 2 percent or more, compounded annually, for the privilege of paying for the same thing twice. I have heard the many arguments on this particular point, and every one of them has been false. The facts cannot be denied or changed. No wonder force, compulsion, even fines and jail sentences must be utilized to force the American people to participate in such a system. No wonder the Supreme Court refuses to face the issue of the involuntary servitude as tax collector without remuneration, which has been raised against this law.

Since the argument that certain people do not have the ability to provide, or will not provide for their declining years, has losts its applicability, it is obvious that a new approach had to be adopted when an attempt is made to force the remaining 10½ million individuals into the social-security system. We must admit the self-evident fact that these 10½ million people, as a whole, have been very capable of handling their own affairs. To be brutally frank about these matters, most of them have been much more successful in planning their retirement and income for later years than the officials of the bureaus into whose hands Congress would force them.

Most bureaucrats are, at this moment, holding the best jobs they ever had. Most of them could not compete successfully with the 10½ million they seek to control, in the open market. Why should these 10½ million self-sufficient individuals be forced by Congress, a Congress supposedly pledged to upholding the sovereignty of the individual, to entrust their futures to individuals who are not successfully competing in the market economy.

Many of us employ advisers and consultants to plan our programs. We choose these men just as you do, by their past records and performance. Realizing full well that you are not entirely responsible for the present situation, but realizing that past Congresses must assume that responsibility, and that you must assume the responsibility for any extension of the act, I submit in all humility, the embarrassing fact that by the record, Congress has not proved itself to be a particularly capable agent in operating within its means, paying off debts, or in the matter of handling money.

I am certain that a national debt of $274 billion, with a request pending, and even passed by one of the Houses of Congress, to increase the debt limit, cannot be regarded as a recommendation for confidence in financial matters or the planning of a sound retirement program.

Stated bluntly and with no intention of being disrespectful or of stimulating antagonism, we believe the 10½ million individuals, including the professional people as well as many people already forced into the social-security system, are more capable of planning their own futures, than is the Social Security Administration or any of the other agencies of the Government. We sincerely believe we can do a better job of managing our own affairs than can Congress. If

the records count for anything, we will do a better job, if you just leave us, the 10½ million, out of the social-security system, and if you will then return to other Americans their constitutional rights and permit them to withdraw from the system if they prefer to exercise their constitutional rights and manage their own business.

There is another point which should be of vital importance to every Member of Congress and especially to the members of this committee. You do not want to destroy initiative. I am certain you do not believe in or desire socialism. Does this not make it all the more important that you leave the small minority, as a nucleus to oppose the ever-increasing Federal control? You do not want to destroy all opposition to the ever-expanding power of the Federal Government. The number is small. If you extend social security to cover this group, you will destroy the will to resist of many true libertarians for they will feel that no one respects the sovereignty of the individual or the rights of the minority.

The minority is an important group. Many feel, however, that Congress has accepted the idea that might makes right. Many believe that Congress does not care for the rights of the minority. They point to such measures as these to emphasize their position.

But you, gentlemen, are charged with the right and responsibility of upholding the rights of the minority, even if it is a minority of one. It is your sacred duty to do so. The utilization of force, coercion, to beat down the minority is not right and can never be right. It can be given statutory legality but it cannot be made constitutionally or morally right. We must admit that gross examples of class and professional discrimination exist, under acts and laws passed by Congress and opinions of certain courts. This proves my point, and does not make the procedure right.

The physicians of this Nation are and will ever be grateful to the Honorable Mr. Reed, and to the other members of the House Ways and Means Committee, for "permitting" us to remain out of the social-security system.

We believe this courageous step is far more important than many realize. I would like to point out that in the totalitarian state the citizens are "permitted" to do or not to do certain things. In this Nation, supposedly—

> The enumeration in the Constitution of certain rights, shall not be construed to deny or disparage others retained by the people. "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people" (art. IX, X, Bill of Rights).

This protest is made, in spite of our favorable position, since we, as physicians, feel that we have a citizenship responsibility which precedes and even surpasses our professional responsibilities to the community. We would be grossly remiss in our duties and obligations to our fellow men—other professionals, other self-employed—and all other citizens, if we did not state our opposition to this type of program. After all, we are all citizens together, and that which hurts any citizen hurts every citizen. Freedom cannot endure in the sea of compulsion. Liberty is not divisible.

I appear before you to request, in the names of those for whom I speak, that you reject H. R. 9366 for the reasons I have presented, and for other reasons to numerous to discuss at this time. In doing this,

you will have proved to the people of the Nation that you are true supporters of the Constitution, true supporters of the sovereignty of the individual, firm believers in individual liberty and freedom, and from your actions many will take heart and rededicate themselves to the thankless but honorable task of saving this Nation from socialism, and of maintaining it as the last great hope for individuals the world over who believe that Christian principles are not only sound, but that government can be constituted upon those principles among and by men, and that such government can endure and will prosper through the acceptance of this ideology. If the rights of the individual are lost here, where shall we, and others, look for hope and guidance?

Thank you for the privilege of expressing these opinions for myself, many of my friends and acquaintances, and the two organizations which I represent officially.

Senator GEORGE. At the request of the chairman I submit for the record a letter from Senator Dennis Chavez transmitting a number of letters he has received from members of the New Mexico Dental Society. Senator Chavez states the great majority of dentists from whom he has heard in New Mexico protest inclusion in the bill; two dentists, however, desire to be included under the OASI program.

He also refers to the viewpoint of the late Senator Lester Hunt, of Wyoming, who was a dentist by profession before he entered public service. Senator Hunt favored voluntary coverage. The amendment he intended to offer has since been introduced and will be given consideration by the committee.

(The letters referred to follow:)

UNITED STATES SENATE,
COMMITTEE ON PUBLIC WORKS,
July 6, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR CHAIRMAN MILLIKIN: I understand the American Dental Association is appearing before the committee today on H. R. 9366 with reference to the inclusion or exclusion of dentists from the bill.

The New Mexico Dental Society, the great majority of dentists from whom I have heard in New Mexico, protest inclusion in the bill; two dentists, however, desire very much to be included in the benefits. I asked for this expression from the dentists and I am submitting these letters herewith with the hope that you will include them in the record of the committee hearings.

This seems to be a matter in which the dentists are divided in viewpoint. The matter was discussed with the late Senator Lester Hunt of Wyoming, who was a dentist by profession before he entered public service. It was Senator Hunt's feeling that an optional provision should be put into the bill for dentists providing that those who desire to receive its benefits could, so that all viewpoints could be represented. Such a solution would certainly be the most satisfactory from the New Mexico standpoint if I may judge by the attached correspondence.

Sincerely,

DENNIS CHAVEZ,
United States Senator.

Attachments.

HOBBS, N. MEX., *June 18, 1954.*

Hon. DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.:

In a poll 80 percent of dentists favor old-age survivors' insurance. Hope you will vote for it.

DR. R. H. BECK.

CLOVIS, N. MEX., *June 18, 1954.*

Hon. DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.

DEAR SIR: I am requesting that you exert your influence to exclude the dentists as the physicians have been in House bill 7199 passed by the House of Representatives under the gag rule.

The American Dental Association and the New Mexico State Association are opposing this measure.

We will appreciate what you can do for us.

Sincerely,

DR. MAURICE N. WATERS.

SILVER CITY, N. MEX., *June 21, 1954.*

Hon. DENNIS CHAVEZ,
Washington, D. C.

DEAR SIR: This is to acquaint you with my position on the old-age and survivors insurance program.

I am strongly in favor of the inclusion of dentists in this program; and I definitely applaud the action of the House of Representatives on June 1 when H. R. 7199 was passed by the tremendous majority of 355 to 8.

I sincerely trust that you will support this measure and vote for its passage with dentists to be included in the program when it comes up for hearing and vote in the Senate.

Thanking you for your every consideration in this matter, I remain.

Yours very truly,

RAY S. SENSANBAUGHER, D. D. S.

SANTA FE, N. MEX., *June 18, 1954.*

Hon. DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.:

If H. R. 7199 comes from committee with dentists still included we urge you make every effort to exclude dentists.

D. D. LORD, D. D. S.
D. D. LORD, Jr., D. D. S.

ALBUQUERQUE, N. MEX., *June 18, 1954.*

Hon. DENNIS CHAVEZ,
Senate Offie Building, Washington, D. C.

DEAR SIR: We understand that H. R. 7199 was passed by the House of Representatives recently and will soon come before your committee.

As you know this bill includes dentists in the old-age survivors insurance program. The American Dental Association has repeatedly voted against the inclusion of dentists in this program.

We urge you to do everything in your power to have the dentists excluded in this new bill. We will be very grateful for your attention to this matter.

Respectfully yours,

F. A. LEMOINE, D. D. S.
J. G. MANSER, D. D. S.

RATON, N. MEX., *June 21, 1954.*

Hon. DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.:

If H. R. 7199 comes from committee with dentists still included please make every effort to have dentists excluded.

J. A. LANGSTON, D. D. S.

BELEN, N. MEX., *June 18, 1954.*

Re H. R. 7199.

Hon. DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.

DEAR DENNIS: We, the dentists of New Mexico, are on record against this bill and I personally am not in favor of it.

I solicit your support against this bill, and if it comes from the committee, to work and vote against it.

Our Nation was not built on the dole system and I don't think it can be a workable system. We, and I, don't want any part of it. All we and I ask is that we be given a chance to save for our own future. We don't need a guardian.

Thanking you for past favors, I beg to remain
Sincerely,

DR. E. G. BRENTARI.

ALBUQUERQUE, N. MEX., *June 23, 1954.*

Hon. DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.:

Will you please make every effort to have dentists excluded from H. R. 7199 concerning OASI if it should come out of committee still including them.

DR. DAVID E. SIMMS.

ALBUQUERQUE, N. MEX., *May 28, 1954.*

Senator DENNIS CHAVEZ,
United States Senate, Washington, D. C.

DEAR SENATOR CHAVEZ: I have just been informed that the old age and survivors insurance bill has been revised to exclude physicians and not the dentists. My question and the one I would like for you to have answered is "Why are the physicians being excluded from this measure and the dentists included against their will?"

We, as dentists, are unequivocally opposed to being included in this measure.
Sincerely yours,

WM. A. BLUEHER, D. D. S.
E. W. KING, D. D. S.

NEW MEXICO STATE DENTAL SOCIETY,
Albuquerque, N. Mex., June 21, 1954.

Hon. DENNIS CHAVEZ,
United States Senate, Washington, D. C.

DEAR DENNIS: As you probably know H. R. 7199 which is the old-age survivors insurance program including the dentists has passed the House and is now in the Finance Committee of the Senate. I understand the hearing on this bill will start June 23. The House in passing this measure excluded the physicians but not the dentists, and this inclusion of the dentists is against their will by a big majority.

In the Southwest trustee's district, of which I am secretary-treasurer and which is comprised of 7 States Louisiana, Arkansas, Texas, Kansas, Oklahoma, New Mexico, and Colorado, voted unanimously in the house of delegates of the American Dental Association last year against the inclusion of dentists in the OASI. The entire house of delegates itself voted 312 to 64 against this inclusion. The house of delegates of the American Dental Association represents approximately 84 percent of all the dentists in the United States. Certainly by this big majority it would indicate that the dentists are not in favor of being included in the OASI.

The dentists in New Mexico are almost unanimously opposed to this inclusion and I am asking you that if this bill comes from the committee with the dentists still included to make every effort to have our profession excluded, the same as the physicians.

To cite examples that you know of dentists working well beyond the age of 65, I name you men here in Albuquerque Drs. Ewing and Eller and Pettit, well over 70 years old and Drs. Biddle, and Nolting, past 65 and still

going strong. These men as well as most of the others will probably continue working until their deaths.

All your efforts in our behalf will be most appreciated.

Sincerely yours,

J. S. EILAR, D. D. S.

NEW MEXICO STATE DENTAL SOCIETY,
Albuquerque, N. Mex., June 18, 1954.

Senator DENNIS CHAVEZ,
Washington, D. C.

DEAR SENATOR: I am writing in regard to House bill 7199 which is now under consideration in the Senate. As a practicing dentist in New Mexico, I am bitterly opposed to being included in the OASI. Our State and national organizations have voted against this measure, which we believe is not in the best interest of our profession.

To add further fuel to this particular piece of legislation, the medical profession have been excluded, while the dental profession have been included. I urge you to vote against having the dentists included in OASI, if the bill should come out of committee in its present form.

Sincerely,

DR. ALFRED L. LOPEZ.

ALBUQUERQUE, N. MEX., *May 29, 1954.*

Senator DENNIS CHAVEZ,
United States Senate, Washington, D. C.:

I have just been informed that the old-age and survivors bill has been revised to exclude physicians and not the dentists. My question, and the one I would like for you to have answered, is "Why are the physicians being excluded from this measure and the dentists included against their will."

Sincerely yours,

DR. ALFRED L. LOPEZ.
DR. SAMUEL RUIZ.

ALBUQUERQUE, N. MEX., *May 28, 1954.*

Senator DENNIS CHAVEZ,
United States Senate, Washington, D. C.

DEAR SENATOR: I have just been informed that the Old-Age and Survivors Insurance bill has been revised to exclude the physicians and not the dentists. My question and the one I would like for you to have answered is "Why are the physicians being excluded from this measure and the dentists included against their will?"

Sincerely,

EARL S. RICHMOND, D. D. S.

ROSWELL, N. MEX., *May 28, 1954.*

Senator DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.

DEAR SENATOR CHAVEZ: With reference to your consideration of the Old-Age and Survivors Insurance bill amendment, I have been informed that physicians are being excluded while dentists are being included against their will for payments to the Federal insurance contribution act. Please know that I am definitely opposed to such legislation and so are all fellow dentists with whom I have discussed the question.

Respectfully yours,

F. S. BLACKMAR, D. D. S.

NEW MEXICO STATE DENTAL SOCIETY,
Roswell, N. Mex., May 28, 1954.

Senator DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.

DEAR SENATOR CHAVEZ: With reference to your consideration of the Old-Age and Survivors Insurance bill amendment, may I ask why are physicians being

excluded while dentists are included against their will for payments to the Federal insurance contribution act?

Respectfully yours,

W. D. McPHERSON, D. D. S.,
President, New Mexico State Dental Society.

NEW MEXICO STATE DENTAL SOCIETY,
May 29, 1954.

Hon. DENNIS CHAVEZ,
The Senate, Washington, D. C.

DEAR SIR: I have just been informed that the old-age and survivors insurance bill has been revised to exclude physicians and not the dentists. My question and the one that I would like for you to answer is, Why are the physicians being excluded in this measure and the dentists included against their will?

Any help that you can give me in this matter and any information that you may have available I will greatly appreciate.

Yours very truly,

JAMES P. BYRNE.

CARLSBAD, N. MEX., *June 2, 1954.*

Hon. SENATOR CHAVEZ,
Washington, D. C.:

The dentists of the Southeast New Mexico Dental Society would like to know why the physicians were excluded from the old-age survivors insurance bill, while the dentists were included in the bill against their will. We are definitely opposed to it.

Very truly yours,

Dr. J. B. RAUCH,
President, Southeastern New Mexico Dental Society.

ALAMOGORDO, N. MEX., *June 19, 1954.*

Hon. DENNIS CHAVEZ,
Senate Office Building, Washington, D. C.

DEAR FRIEND: Having learned that the Senate hearing on the inclusion of dentists in the old-age survivors insurance program is to come up June 23 of this year, I hasten to contact you.

The New Mexico Dental Society has gone on record as being in favor of the exclusion of dentists from this program. I sincerely hope you will be in sympathy with my request that you do what you can for the dentists in our State in this matter. Thanks.

Yours truly,

SAMUEL E. COOPER.

SANTA FE, N. MEX., *June 22, 1954.*

Senator DENNIS CHAVEZ,
Senate Office Building:

In reference to the Senate hearing on the inclusion of dentists in the old-age survivors insurance program our society requests that if the bill comes from the committee with dentists still included we would appreciate your making every effort to have dentists excluded.

THE SANTA FE DISTRICT DENTAL SOCIETY,
GEORGE A. SEGURA, D. D. S., *Secretary.*

STATEMENT OF DR. HERBERT J. WIENER, PHYSICIANS FORUM

Dr. WIENER. My name is Herbert J. Wiener of New York City. I am a specialist in internal medicine and a general practitioner as well.

I speak for the Physicians Forum, established in 1939, a national organization of physicians who are all members of the American Medical Association or of the National Medical Association. We are incorporated under the laws of New York State as an educational, nonprofit organization. Since its founding 15 years ago, the forum has concerned itself with the extension and improvement of medical care and has encouraged new methods and techniques to achieve this goal.

I am here today to speak in favor of the inclusion of physicians under the Federal Social Security Act. The forum has been on record for more than 2 years for the extension of this Federal insurance to our profession. The Physicians Forum membership, which covers 28 States, and is composed of various chapters and members-at-large, has endorsed this position, as has our board of directors and our annual membership meeting, held this year on May 11.

Our chapters in Boston and in the counties of Kings, Queens, and New York in New York City, have held open forums and discussions on social security.

Our newsletter and bulletin have printed numerous articles and correpondence on this matter. Our national committee on social security for doctors has endeavored to inform as many practicing physicians as possible in many States of the benefits they would receive from coverage.

We challenge the statement of the American Medical Association that doctors do not want or need social security. We contend that, if a national poll were taken today, a considerable majority of practicing physicians would vote for inclusion. In no instance has the AMA made any effort to ascertain the views of the average doctor.

On the other hand, wherever physicians have had an opportunity to express their opinions on this issue, they have voted in favor of coverage. For example:

1. The membership of the Medical Society of the County of New York—the largest component unit of the AMA—has twice voted for inclusion under the act: in March 1952 and in February 1953.

2. The membership of the Kings County Medical Society of New York City has twice unanimously gone on record for Federal social-security insurance: first in April 1952 and again in November 1953.

3. The Queens County Medical Society of New York, at a special meeting in June 1953, voted for inclusion under the act.

4. The Sullivan County Medical Society of New York voted unanimously in December 1952 in favor of social-security coverage.

5. The membership of the Essex County Medical Society of New Jersey, polled by the society in October 1953, voted 6 to 1 in favor of inclusion.

6. The Bergen County Medical Society of New Jersey polled its 550 members in March 1954 on this issue. From the total of 352 replies, 222 favored coverage while 130 were opposed.

7. Medical Economics, a commercial publication, independently conducted a cross-section poll of 8,000 physicians in 1951 and 45 percent of those replying voted for these benefits. Another cross-section poll by this publication on the same question was reported in their issue of December 1953; 54 percent of those replying then favored inclusion.

It is significant that the AMA has never felt obliged to describe the costs, benefits, and administrative procedures of our social-security system to its members but continues to oppose this accepted part of our Americal way of life as "socialistic," "regimentation," "doctors can take care of themselves and their families."

Yet, the above examples prove that when doctors become familiar with the benefits which would accrue to them, they dispel the AMA's smokescreen and demand to be given the same privilege as other groups of the population.

We also believe that for physicians, as for other professional groups, there should be compulsory coverage, because this means spreading the risks among the sick and the healthy, the young, and the old. It is illogical to permit those who need the protection most and are perhaps the poorest risks, to come in while the best risks stay out.

Those nearest the retirement age or whose prospect of longevity is shortest because of age or poor health would come in; they would pay the least and take the most. On a voluntary basis, the healthiest, the best circumstanced, those who would pay the most and probably take out the least, would stay out.

The social burden is not fairly borne on such a basis. We do not allow people the voluntary choice of paying or not paying taxes for the support of schools, fire, and police departments, and other essential community services.

Like his fellow citizen, the average physician is deeply concerned with providing protection for his surviving dependents in the event of his early death and with providing for a minimal retirement income if he outlives his earning period. Yet, because of his long training, and late start in practice, the doctor usually cannot afford to purchase adequate insurance until he has reached his middle thirties; and because he often starts to pay for such insurance later in life than other persons, he must pay higher premiums.

Too many people have the erroneous impression that the average doctor has a Park Avenue practice and an annual income of $20,000 or more. In July 1952, the Office of Business Economics of the United States Department of Commerce published the results of its interim professional income surveys for physicians, dentists, and lawyers. This was based on 1,000 replies from a sample of 5,000 physicians selected by the Bureau of Economic Research of the AMA. The mean net incomes for 1950 and 1951 were $11,538 and $12,518, respectively. In 1949, the same agency surveyed 30,000 replies to find the average income for these professional groups to be $11,058.

We believe the medical profession is as deserving and, if anything, more in need of the protection of social security than any other occupational or professional group, and it is a fact that the average doctor, if given the opportunity to express his views, favors inclusion in the act.

There is no logical or ethical reason for depriving doctors of the benefits now accruing to virtually all wage earners, and, if these amendments, H. R. 9366, are adopted, will accrue to almost all self-employed professional persons. Inclusion of physicians in the act, as proposed by President Eisenhower, would in no way compromise

the individual physician's personal or professional freedom or initiative. As the New York Times says editorially, June 2, 1954:

> It no more stifles initiative or freedom than does any other form of insurance. It has by this time become an accepted and valuable part of American life, and we think most Americans will approve its extension to the widest practicable degree.

Furthermore, the Physicians Forum holds that tax-exempt retirement programs, embodied in the Reed-Jenkins-Keogh bills, should also be extended to physicians. Every doctor, paying Federal income taxes, is bearing a share of the cost of such pension plans.

Federal social security and similar tax-deduction plans are complementary. Tax deduction is intended to give everyone the opportunity to continue as high a standard of living as possible through his own earning capacity. Federal social security is intended to guarantee a minimum standard of living after retirement as well as for the individual's survivors if he should die.

We believe that organized medicine has no basic or real objection to social security for physicians, but has opposed it because it holds that if doctors are excluded, the adoption of tax-exempt retirement-plan legislation would stand a better chance. As proof of this point, when the house of delegates of the New York State Medical Society met in their annual meeting in May 1952, their committee on medical policies recommended, page 93, NYSM Journal, September 1, 1952:

> Your reference committee has studied this subject of social security for doctors. * * * It is felt that other legislation which might prove more favorable is pending at the moment, and a decision by this society might compromise better legislation. However, we feel that social security should not be denied categorically to physicians, but further study should be carried out by the rank and file of physicians before this body takes any definitive action. Therefore, your committee recommends no action at this time.

We believe that the time has now come for action and we therefore respectfully urge the Senate Finance Committee to rectify this inequity and pass these amendments to the Social Security Act, including physicians.

Thank you, sir.

The CHAIRMAN. Thank you very much, Dr. Wiener.

Dr. WIENER. May I make a further brief statement, sir?

The CHAIRMAN. Be as brief as you can.

Dr. WIENER. I am 68 years of age and I am not intending to retire for a good many years, especially if social-security coverage is available. The statements by others here, that these measures would urge physicians to retire, I think, has no basis whatsoever.

That is all I have to say.

Senator GEORGE. Thank you very much for your contribution to this subject.

Mr. Ehlers——

STATEMENT OF JOSEPH H. EHLERS, ENGINEERS JOINT COUNCIL

Senator GEORGE. You may read your statement or place it in the record and speak to it as you desire.

Mr. EHLERS. Thank you, Mr. Chairman. I am Joseph H. Ehlers, field representative of the American Society of Civil Engineers, which is one of the constituent societies of Engineers Joint Council in whose behalf I am appearing.

In order to save time I will submit for the record a statement by the president of Engineers Joint Council which gives the council's views on this legislation, and I will simply make a few comments on a special phase of the matter.

Engineers Joint Council is composed of a group of the professional engineering societies including those representing civil engineers, mechanical engineers, electrical engineers, and others. The oldest of these societies is already in the second century of its existence.

I believe all of them have a record of constructive thinking in the development of engineering and on matters related to professional engineers. I may add that one of the distinguished Senators who is a member of your committee served as president of one of the largest of these societies.

We are in favor of liberalizing the present law—for example, omitting the four lowest income years in computing average earnings and covering State and local employees, as provided in the bill. We favor a gradual extension of social-security coverage, but we feel that compulsory inclusion of self-employed professional engineers is not beneficial to these engineers and is not in the public interest.

There is at present a critical and chronic shortage of professional engineers. Through its Engineering Manpower Commission, Engineers Joint Council has cooperated with the Government in helping to overcome that shortage. One of the obvious aids in the immediate future is for engineers over 65 to continue working rather than to retire.

This bill proposes to put a premium on not working after age 65, and even to assess a penalty for doing so. Perhaps more than in the case of any other professional group at the present time, engineers ought to be encouraged to work beyond the age of 65 and to be exempt from mandatory coverage under this bill.

With respect to this particular bill, self-employed engineers, who would help relieve the chronic engineer shortage if they continued in gainful work beyond 65, are now to be taxed for so doing—to pay for a supposed benefit they will probably never receive. Not only are they to be taxed at the rate they would pay as employees but at a vastly increased rate.

Most of our members who have never been covered do not desire to be covered. They don't want to pay for a benefit they feel they will never receive.

Some of our members over the age of 65 who at one time have been in covered employment are now able, with the aid of the amount received from social security, to make enough in part-time self-employment to support themselves and incidentally help relieve the engineer shortage to some extent. This bill proposes to cut off these payments and in addition to assess a burdensome new tax. That will certainly cut down the number of professional engineers above the age of 65 who continue to work and will probably result in aggravating the shortage of engineers.

This is often described, as for example in the House report on this bill, as "eliminating an anomaly in the old situation or improving the retirement criteria." Now, here is an example of the anomaly we are called upon to explain to some of our members: A member who has reached the age of 65 and has retired from his job is doing some part-

time consulting work and receives perhaps a minimum or more of social security; similarly a retired business executive who may have amassed fifty or more thousand dollars in bonds also retired at the same time under the same rules laid down under the present social-security law. This bill proposes to cut off the social-security payments of the one who has to work for a living and allow the other one, who just clips bond coupons, to continue to receive social security payments. We think that is an anomaly that is equally difficult to explain.

If your committee should finally decide that compulsory coverage of self-employed professional men is necessary, I would urge that at least one minimum concession be granted: That those over 65 who must continue to work for a living, even though they are to forfeit the benefit payments, in any event be excused from the payment of further social security taxes—particularly the self-employed professionals whom it is proposed to tax at a much higher rate than employees.

Voluntary rather than compulsory coverage for professional men would, I believe, accomplish the main objectives of this bill, while avoiding some of the inequities and hardships that would result from mandatory coverage.

I will submit the prepared statement for the record.

The CHAIRMAN. Thank you very much for your contribution.

(The statement referred to follows:)

STATEMENT RELATIVE TO PROPOSED AMENDMENT OF THE SOCIAL SECURITY ACT, ON BEHALF OF ENGINEERS JOINT COUNCIL

Engineers Joint Council is a federation of national engineering societies with an aggregate membership of about 170,000. The membership includes both salaried and self-employed engineers. This statement is related to proposed revisions of the Social Security Act which would apply to self-employed professional people.

We do not favor the portion of H. R. 9366 which would result in compulsory coverage of self-employed professional engineers.

It is to be noted that the great majority of engineers in the United States are not self-employed. As the result of an extensive survey of the profession conducted several years ago by Engineers Joint Council, it was determined that those properly classifiable as self-employed constitute less than 4 percent of the profession. Employed engineers already are covered by the act. For the purpose of this discussion, the situation is modified somewhat by the fact that some who spend most of their lives in salaried positions, and retire from those positions at age 65, continue thereafter in self-employed capacities. These, too, would be affected by the proposed amendment. At the most, the number who would be affected by the compulsory coverage contemplated is just about negligible so far as financial contribution to the social-security system is concerned. The pertinent factor for consideration is the effect on the relatively few individuals involved.

The present laws (Social Security Act and Internal Revenue Code) provides that "the performance of service by an individual in the exercise of his profession as a physician, lawyer, * * * architect, * * * or professional engineer, or the performance of such service by a partnership" shall not be included as an activity covered by the expression "trade or business" where that expression is used with respect to self-employment income. An employed engineer on reaching the age of 65 becomes entitled to the social-security benefits which he has earned by his contributions during employment, and he may continue to work as a self-employed professional engineer without loss of credit for these benefits. Thus an engineer, after retirement by his employer at 65, may continue on a consulting basis with his former employer, or with other clients, without loss of credit for benefits already earned.

H. R. 9366 proposes to delete the section quoted above, leaving professional persons subject to the provisions covering any "trade or business." The result

is that the professional engineer on reaching age 65 must stop working (substantially) or lose his benefits already earned until, and if, he reaches age 75. He may earn as much as $1,000 a year without forfeiting benefits already earned, but so long as he earns more than this amount he is deprived of those benefits until he has reached the age of 75.

In addition to loss of benefits the self-employed person, under the proposed law, must pay social-security taxes 50 percent higher than those paid by an employed person (engineer or other). Under the present schedule, the amount of these taxes would be as follows: For the years 1955-59, $126 per year; 1960-64, $157.50; 1965-69, $189; after 1969, $204.75.

Thus an employed engineer retiring and becoming self-employed this year at age 65 would have to pay during the next 10 years (if he lived so long) social-security taxes of $1,417.50 and would become entitled to benefits only at the end of that period of time.

The proposed law would pay such a professional man a premium (but not enough to live on) for not working after he reaches the age of 65, but if he continues on a self-employed basis it would not only postpone for 10 years his eligibility for benefits, but would also impose an added burden by taxing him at a rate 50 percent higher than he paid when employed. The effect in encouraging idleness of professional engineers over 65 years of age, and penalizing those who continue to work, is manifestly contrary to the public interest, particularly in these days when the shortage of experienced professional engineers is acute.

As with the other learned professions, a considerable proportion of engineers have no desire to retire from practice at age 65. For such people, the above observations are very significant.

We suggest that a more appropriate provision would be one which would permit coverage of the self-employed on a voluntary basis. Then, the relatively few who might desire coverage could have it without imposing what appears to us to be manifest injustice on the majority who would be better off without it.

We look with favor on the provisions of H. R. 8491 "to provide increased old-age insurance benefits upon retirement for individuals who continue in covered employment beyond retirement age, and to reduce from 75 to 70 the age beyond which deductions will not be made from benefits on account of outside earnings."

Each of these provisions would serve to encourage useful productive activity by elderly people who are able and willing to work. The country needs, and will continue to need, expansion of productive capacity. It would appear that enactment of such provisions not only would provide more satisfactory benefits for individual participants but also would be in the interest of the national economy.

SUMMARY

Our opinions are summarized as follows:

(1) We are opposed to compulsory coverage of self-employed professional engineers into the social-security system.

(2) We favor provision for voluntary coverage of the self-employed.

(3) We favor appropriate increase in old-age insurance benefits upon retirement for individuals who continue in covered employment beyond retirement age.

(4) We favor reduction from 75 to 70 the age beyond which deductions will not be made from benefits on account of outside earnings.

Respectfully submitted.

THORNDYKE SAVILLE,
President, Engineers Joint Council.

STATEMENT OF DR. EARL H. McGONAGLE, ROYALTON, MINN.

The CHAIRMAN. Doctor, you may place your full statement in the record if you care to or you may read it if you desire.

Dr. McGONAGLE. Mr. Chairman, I am Earl H. McGonagle. I am a self-employed practicing dentist who has been a member of the American Dental Association, the Minnesota State Dental Association, and the West-Central District Dental Society since 1916. It is my privilege to presently serve as president of the MTW Tri-County Dental Society and am a past president of the West-Central Minnesota District Dental Society.

I am also associate editor of Northwest Dentistry, the official publication of the Minnesota, North Dakota, and South Dakota dental associations. And incidentally I am one of the thousands of dentists who are presently covered under the old-age and survivors' insurance program holding social security No. 474-34-4887.

This lengthy introduction is given you because I am representing no official body of dentists and want you to understand my background. I wish to plead the case of all dentists who do not agree with the action of the American Dental Association House of Delegates in regard to the inclusion of dentists in old-age and survivors' insurance.

I will first present to you evidence that indicates that the majority of dentists do want to be included in the old-age and survivors' insurance program. Second, that the vote of the house of delegates and the result of the response to the questionnaires mailed to members of the American Dental Association in 1951 are not conclusive, and third, to explain why dentists are not like physicians economically and should not be eliminated from coverage in OASI just because the physicians have been eliminated by the action of the House of Representatives.

Any polls taken other than in secret and in full coverage are of little value so I will refer only to polls that have been taken in that manner. I can refer you to others that are favorable to OASI but they are not a true and accurate poll of full coverage as I have indicated, and are not of great value.

Three State dental associations have sponsored reply-postal-card polls of their entire memberships with the following results:

In Massachusetts there was a postal-card-reply vote, 1,164 favorable against 51 unfavorable, or 95.8 percent in favor of old-age and survivors insurance.

In Minnesota, a similar poll: 927 yes, 325 no, 74 percent favoring inclusion.

In Oregon, 397 yes against 140 no, or 73.9 percent favoring inclusion.

In addition two large district societies have conducted similar polls.

New York district 1, the largest district society in the United States, 2,141 yes, against 267 no, or 88.9 percent of the dentists favoring inclusion in old-age and survivors' insurance.

Chicago Dental Society, 1,295 yes against 271 no, or 82.6 percent.

The results of these reply postal-card polls are impressive and if other State and district dental associations would conduct similar polls it is probable that results of such polls would be similar to those I have listed.

Any reference to States or sections that some claim do not agree with this sentiment of favoring old-age and survivors' insurance have no such evidence produced by any such polls and statements are made without sustaining evidence.

The questionnaire conducted by the American Dental Association in the year 1951 was mailed to 1 member in each 7 on its mailing list. Replies received on the question of old-age and survivors' insurance represented only 2,240, less than 3.5 percent of the entire membership.

The result was 48.3 percent favoring and 51.7 percent opposing old-age and survivors' insurance for dentists. It is not known how the other 96.5 percent felt about it. However, this is the only direct contact with its members that the American Dental Association has to guide its action and even it shows a bare majority.

I feel that there is no doubt that a large majority of dentists favor inclusion in this program. In the workings of the American Dental Association house of delegates there is a psychological factor that makes it appear to an outsider that dentists are opposed to it. The delegates rarely go to the national meetings instructed and are influenced by personalities and situations at hand.

The work required of dentists and their incomes are not similar to that of physicians who were excluded from the OASI program by action of the House of Representatives. A physician can practice his profession as long as he maintains a sound mind. However, a dentist must maintain almost perfect health to carry on his office work and it cannot be done on a part-time basis as overhead is high and full time and full speed are necessary in order to continue practice. Many disabilities such as skin diseases, arthritis, trembling or injured hands, impaired eyes, and a host of other conditions will render a dentist useless in his office.

To make the old-age and survivors' insurance program sound it should include every worker, both employed and self-employed. There are thousands of dentists covered through being employed by other dentists and associations and many through conducting a covered business in addition to his dental practice. I doubt that your committee has received many objections from those covered individuals.

As long as some groups are excluded from this program there will be technicalities that will make it unfair to some and the innocent families will suffer.

In the interest of the dentists and their families I pray that your committee will recommend their inclusion in the old-age and survivors' insurance program as has been done by act of the House of Representatives.

That concludes my prepared statement.

Senator GEORGE. Thank you very much for your statement.

Dr. McGONAGLE. We are asking no special favors. We want the same as the insurance agents have been receiving and that the accountants and lawyers expect to receive.

Senator GEORGE. Thank you, sir.

(The following letter was subsequently received for the record:)

ROYALTON, MINN., *July 10, 1954.*

Senator EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance,
Washington, D. C.

DEAR SENATOR MILLIKIN: I wish to add the following statement to my restricted testimony presented before the Senate Committee on Finance on July 6, 1954.

First, I wish to call your attention to testimony submitted by Dr. J. Claude Earnest on April 9 and July 6, 1954. In these statements he emphasized the fact that retirement income for dentists was unimportant as most dentists do not retire. Either through insufficient knowledge of details of the OASI program or through willful omission the more important features of protection for the families of young men and the widows of older men were omitted. As you know, if a young man dies leaving a wife and 2 children, ages 1 and 3, that the family would receive approximately $38,000 until the youngest child becomes age 18, and then when the wife reaches age 65 she would be entitled to a monthly income of $81.40 for life.

While many dentists do not retire there are many who should, and would if they could afford it. The wife, due to being younger on the average and enjoying a greater life expectancy, usually outlives the husband by about 10 years. At age 65 she would be entitled to a monthly income of $81.40 for life.

According to investigations by two of the leading diagnostic clinics in our country, the most common disease of dentists is "anxiety state." If the young men and the elderly men could enjoy the security referred to above much of this condition should disappear. If dentists are not included in OASI, it will probably become more prevalent as the condition called anxiety state is caused largely through tension brought on due to a feeling of insecurity.

Members of the American Dental Association house of delegates are usually selected from among those who can afford to travel to distant points at their own expense. They are rarely instructed by the State association house of delegates and when they vote at the ADA meetings there is no record made of the vote of the individual. The members of the State association, whom the delegates are representing, have no way of learning how each delegate voted.

At the last session of the house of delegates in Cleveland when the vote on old-age and survivors insurance for dentists was taken a request for a secret ballot was denied those who requested it. Just before the vote was taken an influential member of the board of trustees made a statement which, in substance, was that "we will probably be forced into it whether we want it or not so why humiliate ourselves by asking for it." In the standing vote then taken I observed the members of one State delegation voting against it although a complete statewide poll taken by the State association that they represented had approved OASI by 74 percent. I have been informed that other State delegations in a similar manner. There seems to be so much pride within the individual delegate that he has not the courage to stand up and acknowledge that he is in favor of OASI even though it is the sentiment of his constituents back home. If the vote in the house of delegates had been done on the voting machine it is very probable that the result would have been quite different.

The statements made by Dr. Earnest that OASI would encourage a dentist to retire at age 65 is absolutely silly. If an elderly dentist cannot earn much more than the retirement benefits of OASI, it is time to retire, but if he is still able and can command enough patients to earn considerably more than the OASI benefits he would not be encouraged to discontinue his practice. Rather, he would be in a better mental state to continue as he would enjoy the feeling of security due to the protection he and his wife would enjoy under OASI in case it is needed.

Even though there are claims that most dentists oppose coverage under OASI it is not substantiated by complete secret polls that have been taken, as listed in my testimony before your committee.

Your committee likes to please the majority when consistent with the general welfare. If you recommend coverage of dentists in OASI you will please those who openly request coverage, and for those whose pride restricts them from requesting it, you will satisfy most.

At present thousands of dentists are covered through working for other dentists, hospitals, and associations. When a physician or dentist who has been employed by an association like the Mayo Clinic leaves its employ he is no longer covered. Many dentists are covered through operating a business on the side which they can sell or lease at age 65 and receive full benefits of OASI and continue practicing his profession at will. OASI should cover every worker, both employed and self-employed, so that positions can be changed without altering the status under pension setups.

Dentists and their wives were made happy when the House of Representatives included them in OASI. Most of them think they are in definitely so you will not hear from many favoring OASI. The American Dental Association, with its facilities, will see that you receive many requests that they be eliminated. Please judge these letters and telegrams with that in mind.

Thank you for consideration of my statement.

Sincerely,

EARL H. MCGONAGLE, D. D. S.

NOTE.—All figures pertaining to OASI benefits are according to the new proposed schedule, and assumes that the average annual income would exceed $4,200.

Senator GEORGE. I believe that finishes the scheduled witnesses today. If there are any witnesses present who wish to offer anything for the record, it will be entered at this point.

The committee will stand in recess until 10 o'clock tomorrow morning at which time the hearings will again be resumed.

(Whereupon, at 12:40 p. m., the committee recessed to reconvene at 10 a. m., Wednesday, July 7, 1954.)

SOCIAL SECURITY AMENDMENTS OF 1954

WEDNESDAY, JULY 7, 1954

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

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10 a. m., Senator Edward Martin presiding.

Present: Senators Millikin, Martin, Byrd, and Long.

Senator MARTIN (presiding). The committee will come to order.

The chairman of the committee is at the White House and will be delayed a little bit.

Our first witness is Dr. Jocobus tenBroek.

You may proceed.

STATEMENT OF JACOBUS TEN BROEK, PRESIDENT, NATIONAL FEDERATION OF THE BLIND

Dr. TENBROEK. Mr. Chairman and members of the committee, my name is Jacobus tenBroek. I am president of the National Federation of the Blind, a member of the California State Social Welfare Board, and various other activities of that sort. I am appearing here today as president of the National Federation of the Blind. I earn my living as a professor at the University of California in Berkeley.

H. R. 9366, which is now before your committee, presupposes and is built upon a long-standing theory of the relationship between social insurance and public assistance. That theory is that social insurance is primary in the social-security system of the United States, public assistance is secondary; that public assistance is residual and subsidiary and will progressively diminish into insignificance as social insurance expands into its permanent role of near universal coverage; that public assistance, being a system of relief, unrelated to productive endeavor, and designed to supplement other sources of income (including that derived from social-insurance benefits) should be conditioned upon an exact evaluation and utilization of an individual's resources; in short, public assistance should be based upon the means test.

This theory of the relationship between social insurance and public assistance and of the nature of public assistance has been developed mainly in connection with the aged—those who because of age or the employers' or the public's conception about age have left the labor market and whose years of active contribution are behind them. Because of this fact and because of the preponderant consideration given the problems of the aged in the social-security system, this

theory of the relationship between social insurance and public assistance and of the nature of public assistance has been applied as an overall proposition to all groups of public-assistance recipients.

The blind men and women of the Nation urgently petition your committee to reexamine, reevaluate and repudiate this theory insofar as it is applied to them. Such a review and repudiation may once have been merely a desirable prospect for the future. Now it has become an imperative necessity of the present. It has been made so by H. R. 9366. Once the provisions of that bill become law, the theory will hereafter work a great injustice upon the blind. It misconceives the problems of blindness. It ignores the characteristics of blind aid recipients. It denies the blind a role of participation in a democratic society. Let me try to make clear why this is so.

H. R. 9366 will greatly expand the coverage and improve the benefits of old-age and survivors insurance. Under its provisions, 75 percent of all persons over 65 years of age will be eligible for insurance benefits by 1960 as against the 47 percent who are currently eligible. With the increased level of benefit payments, the average benefit to primary beneficiaries is estimated to be $57.42. The average public assistance grant to blind aid recipients is $55.73. Except in a few high-grant States therefore, OASI beneficiaries will not be eligible for blind aid.

Increased OASI benefits and coverage will mean a progressively diminishing number of aged blind persons who are eligible for public assistance. Those who become blind after age 65—roughly one-third of our people do—will be retired beneficiaries at the time blindness occurs. With expanded coverage, more blind persons will be workers in covered employment and, upon retirement, will be eligible for OASI benefits just as other workers are. Increasingly therefore under the aegis of H. R. 9366 public assistance for the blind will be a program only for persons who are still in the productive years of life.

This consequence of H. R. 9366 is augmented by the emphasis which that bill gives to returning disabled persons to self-supporting employment through the disability freeze and the provisions for referral of disabled persons to the State vocational rehabilitation agencies. It is still further augmented by the impetus intended to be given to vocational rehabilitation by S. 2759 and H. R. 9640. These measures join together public assistance and vocational rehabilitation in a degree of intimacy never before tried. An attempt greatly to increase the number of disabled persons rehabilitated and especially the attempt to reduce the public-assistance rolls thereby involves reorienting blind aid to this rehabilitative purpose. This can only be achieved by removing existing public-assistance obstructions to rehabilitation and substituting public-assistance provisions which positively encourage and facilitate rehabilitation.

This fundamental shift in the characteristics of recipients of blind aid must be accompanied by a fundamental shift in the character of the program. In the new orientation, public assistance must be directed toward opportunity as well as security.

It must be geared to rehabilitation, employment, and self-support as well as to relief. It must not only help persons in distress, but help them out of it. It must represent not a handout to the helpless but an encouragement to self-help; not a permanent charity which

perpetuates dependence but an immediate incentive which invites independence. Poverty must be eliminated for its own sake, surely, but also for the purpose of stimulating economic activity and social integration.

The aim of public assistance must be to relieve the distress of poverty, to enlarge the economic opportunities of the blind, and to stimulate the blind to greater efforts in striving to render themselves self-supporting.

Self-supporting employment is an attainable goal for the blind who are in the productive years of life. Years of research in the field of rehabilitation and years of demonstration by blind individuals have established that, given competent guidance, incentive, and opportunity, the person who has lost his sight can once again make rich contributions to his own well-being and that of his community. Individual blind persons are today successful in a vast range of jobs in industry, commerce, agriculture, and the professions. I personally know blind people who are dairy farmers, chicken farmers, rabbit farmers, potato farmers, beekeepers, stenographers, switchboard operators, beauticians, cabinetmakers, radiorepairmen, machine-tool operators, mechanics, lawyers, doctors, engineers, university professors of law, philosophy, medicine, mathematics, businessmen, restauranteurs, groceryman and a wide variety of salesmen. In addition to this there are blind people in many unskilled or ordinary occupations.

The necessary reorientation of public-assistance goals and methods which will adjust them to the characteristics of the aid recipients and their need for self-supporting employment can be carried out through the adoption of five specific provisions:

(1) use of earnings as an incentive to self-support;

(2) exemption of other income and resources in determining eligibility;

(3) abolition of relatives' responsibility;

(4) adequacy in the amount of the public-assistance grant; and,

(5) a fixed-minimum payment to all blind aid recipients, prescribed by State statute and to be used as a floor of protection against dependency and to implement the principle of aid as a right.

1. Under the means-test system, all earnings of the recipient must be applied to meet the needs established in the budget. If the State grant is sufficient to meet those needs, the grant is reduced by the amount of the earnings. The blind person is therefore no better off by exerting himself to make the earnings; in effect, a hundred percent tax is applied to the product of his labor. If such effort is to be encouraged, the incentive value of earnings must be carefully and thoroughly preserved.

The blind recipient should be allowed to utilize his earnings to improve his standard of living or to increase his capacity to earn. This can be accomplished by the simple and tested expedient of exempting earnings from consideration in determining the amount of the aid grant. The $50-a-month exemption enacted by Congress in the Social Security Amendments of 1950, in the establishment of which

your committee played such a leading role, was, accordingly, a definite step in the right direction.

The amount of the exemption, however, aside from its heavy reduction through subsequent inflation, was inadequate from the outset to counterbalance the difficulties faced by the blind in their search for economic independence: the training and effort required to become employable, the discrimination against them in hiring practices, and the economic uncertainty of small-business ventures. By this system the individual is expected to make a giant leap to independence over the gap between $50 a month and self-support. Instead the welfare system, in light of its rehabilitative goal, should make it possible to traverse this distance by easy steps—for the alternative is not to try to walk at all.

We therefore recommend that the earned income exemption be fixed at least at $1,000 plus 50 percent of all amounts above that. The incentive should be at least as great for those who should be induced into the labor market full time as for those who have permanently left the labor market—for the latter H. R. 9366 fixes the amount of exempt earnings under social insurance at $1,000.

2. Rehabilitation is struck still another blow by the means test requirement that a recipient utilize all this property and income to meet his current needs. For the rehabilitable, the utilization requirement has a strong tendency to perpetuate them on the relief rolls and to continue them in dependency. The case for exempting property and specified amounts of unearned income from consideration in determining both eligibility for aid and the amount of the aid grant might well be rested on the virtual nonexistence of these factors among the blind. But the social considerations in any event are the dominant ones. The retention of these independent resources by the blind is desirable in order to stimulate business and professional plans for self-support and to conserve psychological independence despite the implications of dependency connected with blindness in our social environment. Reasonable accumulations of property and unearned income if not required to be applied to meeting immediate needs, may be used as stepping stones to independence of the relief rolls. The raw materials and stock of craft workshop, the merchandise of a vending stand, the books and equipment of the new fledged lawyer or osteopath—all these represent more property than the means test allows, and all are weapons in the hands of the blind person in his difficult fight for self-support.

We recommend therefore that at least $3,000 assessed valuation of real and/or personal property, less all encumbrances, be disregarded in determining eligibility for aid or the amount thereof; and that all property and income which is devoted to a plan for self-support be so disregarded.

3. The financial liability of legally responsible relatives is unjust to the aging parents of the blind, destructive of family ties and natural sympathies, demoralizing to the blind person, and trivial in the amount of income it produces. Relatives' responsibility laws are a device for sharing poverty. A democratic society should go beyond that in making welfare policy. Such laws are neither a means of adequate income to the blind nor of significantly affecting the amount of public funds required to meet the needs of the blind.

Consequently, they are futile in financial terms. They exert a positively harmful influence upon the integrity and solidarity of the family and upon the rehabilitative efforts of the blind person. Legally enforceable economic dependence upon relatives tends to convert the latter's feelings of good will and congeniality into resentment, frustration, and bitterness, all greatly increased by the blind person's participation in the process of enforcement. For the blind individual, there is a galling intensification of his sense of burden, his unwantedness and insecurity. Arrangements of this sort are not only hostile to the preservation of individual privacy and dignity; they are fatal to setting up and carrying out a step-by-step plan for self-support.

We recommend that legal liability of responsible relatives be abolished in the welfare system.

4. For recipients of blind aid in all but a very few States, the smallness of the grant continually hinders and prevents rehabilitation. The blighting quality of gross material inadequacy cannot be overemphasized. Destitution is a poor foundation from which to accomplish the difficult task of self-reconstruction—economic, social, and psychological. Yet destitution is made a condition of eligibility for public assistance. Poverty begets only poverty, stultifies the personality and stifles ambition.

In economic aid, adequacy has a special significance: the meeting of community standards of decent and healthful living as determined with the help of scientific knowledge and social patterns of living and consumption. A person who by virtue of social provisions dresses, eats, and is housed in a manner markedly inferior to others in the community is thereby confirmed in feelings of depression and inadequacy, and is bound to sense that society places little value on his individual life.

Means test philosophies and administration—based upon debilitation rather than rehabilitation—are directed toward pushing payments down. The budgetary deficiency method results in setting a ceiling over the assistance standard of living, to prevent it from rising above a certain small amount, rather than placing a floor under the incomes of assistance clients, to assure protection against want. The excuse often given is that "individual need individually determined" calls for preserving aid recipients in the status in which they were found prior to their application for aid.

Careful comparisons of income make clear that the level of living presently afforded to the blind through public assistance cannot possibly permit a standard of diet, housing, clothing, the raising of a family, and social participation similar to that of employed persons. It is clear that the physical and psychological circumstances of the blind assistance client, because of this absolutely and relatively low income, must be inferior by a very wide margin to the rest of the community. Moreover, this situation of poverty has not only failed to improve, it has in fact deteriorated. The pauper's badge is no longer literally worn by the needy in our "modern" civilization, but the 100,000 blind recipients of assistance plainly display the badge of poverty and exclusion from community ways of living.

The amounts necessary to reach a standard of adequacy must clearly be substantially greater than present levels if relief from the distress

of poverty is to be provided; if community standards of living, however low, are to be attained; if self-respect and psychological independence are to be conserved, and if a basis of security is to be supplied on which vocational rehabilitation and self-support can be built.

We therefore recommend that the cutoff date on the MacFarland amendment be eliminated; that the maximum on Federal matching be increased to five-sixths of the first $30.

5. Under a system of public assistance based on the means test, the blind recipient becomes the captive of a system which should be designed to make him free. Enmeshed in the processes of an administrative machine so penetrating and pervasive, the individual recipient soon loses control of his life and management of his affairs. The capacity for self-direction presently atrophies and drops away. It is the welfare agency rather than the individual which decides what wants shall be taken into account. It is the welfare agency which decides what needs shall be budgeted, and how much shall be allocated to meet each of them. The smallness of the budget, its general character, and its close scrutiny result in domination by the welfare agency of supposedly free consumption choice, with a corresponding frustration of the principle of cash payments. With each new item budgeted or eliminated, with each new resource tracked down and evaluated, the social worker's participation in the recipient's affairs increases. This is an inevitable concomitant of the means test. It results from the nature and extent of the system. It is bred and nourished by the pro-'sions of the statutes and the rules issued under them. It is in the flexible joints of the cumbersome machinery. It is in the detail and intimacy of the investigation. It is in the inescapable confinements of the budget. It is in the idleness, defeatism, and waning spirit of the recpient.

Thus the continuous surveillance, loss of independence, and inadequate allowances associated with the means test all combine to produce conditions which retard if they do not prevent rehabilitation.

For rehabilitation is a complex process in which mental and emotional elements are predominant. It involves myriad adaptations and readjustments not merely physical in nature but social and psychological as well. In effect the entire personality must be reconstructed; a rebirth, a new act of creation, must be wrought. In this process ambition, hope, and self-reliance are basic ingredients. The objective cannot be accomplished, it can only be retarded, by privation, destitution, and social worker control.

Integrity of personality cannot be built upon a foundation of humiliation. A system of aid such as the means test which continually impresses upon the recipient a sense of his helplessness and dependency, which withdraws from him the daily experience of managing his own affairs and which enshrouds him in an atmosphere of guardianship and custodialism, must inevitably sap the fiber of self-reliance, undermine hope, deter self-improvement, and destroy the very initiative which is indispensable to rehabilitation.

We therefore recommend that, in order to curtail these damaging effects of the means test and to promote and facilitate rehabilitation, public assistance be granted on a basis of a fixed minimum payment to all blind aid recipients, prescribed by State statute and to be used as a floor of protection against dependency and to implement the principle of aid as a right.

The minimum might vary from State to State in accordance with local conditions. It would be based on demonstrated needs of the group rather than on demonstrated needs of the individual whose special circumstances would receive consideration for grants above the minimum. The fixed minimum grant protects the dignity of the recipient. He is treated as a member of a class, entitled to be dealt with in a manner determined by law, not by individualized administrative discretion.

Such a method of making the grant aids rehabilitation by protecting the integrity of personality and the right to privacy. It does away with the planning of a monthly budget and the inevitable accompanying supervision of personal behavior. It permits achievement of economic security by eliminating uncertainty as to aid income from month to month, once eligibility has been established.

Finally, may I call the committee's attention to the way in which H. R. 9366 deals with Missouri and Pennsylvania where an important principle is at stake. Those two States have been receiving Federal grants for aid to the blind since 1951 by authority of a specific provision in the 1950 social-security amendments explicitly directing the Social Security Administration to approve their blind-aid plans, provided that Federal participation be limited to those cases alone which met the conditions of clause 8, section 1002 (a) of the Social Security Act as then interpreted. Prior to the enactment of section 344 of the 1950 Amendments Act, Missouri and Pennsylvania had been refused Federal grants because their State laws extended specified amounts of public assistance to blind persons whose other income was less than fixed amounts, even though in the vast majority of cases aided, the blind individuals had no other income whatever.

The theory of the people then administering the Social Security Act was that in return for Federal grants each State had to surrender its power to grant assistance, even though at State expense, to needy blind persons not eligible for the Federal-State program under the interpretation which these people then gave to the means test provisions of title X of the Social Security Act.

Congress repudiated this theory in 1950. As a result, Missouri and Pennsylvania now have dual plans of aid to the blind, one of which is financed entirely by the State while the other receives Federal participation. These dual plans have worked well. They have held open to the blind the hope and the opportunity of self-betterment in their arduous efforts to rehabilitate themselves to self-support. An initiative and an incentive to self-improvement is given the blind of Missouri and Pennsylvania which is largely denied to the blind of other States by the rigorous application of the means test insisted upon under the interpretation of the Social Security Administration. But in directing the approval of Federal grants to these States under plans meeting the means test requirements as interpreted, Congress imposed the cutoff date of June 30, 1955. H. R. 9366 extends that date 2 years, until June 30, 1957.

We urge that your committee not merely concur in the postponement of the cutoff date but rather that the cutoff date be eliminated entirely. We give our wholehearted support to the provisions of S. 1779 introduced last year by Senators Martin and Duff of Pennsylvania.

As long as the cutoff date remains in H. R. 9366, the State governments of Missouri and Pennsylvania are hamstrung by uncertainty.

They are hesitant to improve their State programs to meet more adequately the needs of blind persons. They are hesitant to commit State funds to other programs such as the rehabilitation of the blind and other handicapped persons. Yet both States are above the average in the amount of taxes which are collected by the Federal Government.

The amount of the Federal reimbursement to Pennsylvania was $3,544,000 in the calendar year of 1953, or 36.3 percent of the total State expenditures of aid to the blind. The Federal Government shared in payments to 9,022 out of 15,979 recipients in December of last year or in more than half of the cases. The Federal reimbursement to Missouri in the calendar year 1953 amounted to $1,061,000 or 46.8 percent of total State expenditures; while the Federal Government shared in payments to 2,010 out of 3,726 blind recipients or more than two-thirds of the cases receiving aid.

Thank you, gentlemen. That completes my statement. I will be glad to answer any questions.

Senator MARTIN. Are there any questions? We appreciate your appearance very much. Senator Byrd, do you have any questions?

Senator BYRD. No questions.

Senator MARTIN. Thank you vrey much.

The next witness is Mr. A. D. Marshall, United States Chamber of Commerce.

STATEMENT OF A. D. MARSHALL, UNITED STATES CHAMBER OF COMMERCE

Mr. MARSHALL. This is Dr. Emerson Schmidt, chief economist to the chamber, who has all my facts and figures at hand. If you don't mind, gentlemen, I would like to ask that my complete statement be put in the record and I may be able to summarize certain parts of it.

Senator MARTIN. That may be put in the record and I would suggest that that is a very good way to proceed. I have found that gives us a better opportunity to clarify things and the staff will very carefully go over your statement.

(The prepared statement of Mr. Marshall follows:)

TESTIMONY OF A. D. MARSHALL FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES

My name is A. D. Marshall. I am manager of employee benefits of the General Electric Co., Schenectady, N. Y. I appear today for the Chamber of Commerce of the United States, as a member of its board of directors and as chairman of its committee on social legislation.

The chamber has long realized the significance and important of social security. For many years, our committee on social legislation has intensively studied the social-security system and worked to improve its operation. The chamber has been especially fortunate in having the advice and counsel of recognized authorities in the development of a program for sound social security.

The committee is made up of representatives of industry and the professions, each of whom has had extensive experience in this field. Actuaries, economists, lawyers, insurance company executives, and directors of pension funds have contributed their background of experience. Committee members have served as advisers to congressional committees in the development of social-security legislation. Members have served on the advisory council on social security of this committee. One member was chief of the social security technical staff of the House Ways and Means Committee in 1946. Committee members were appointed by the Secretary of Health, Education, and Welfare to consult with that Department on the development of the present social-security program.

After intensive study, our committee concluded 2 years ago that some basic changes in the existing social-security system were vital. Those changes, with the arguments for and against them, were presented by referendum to the chamber's organization members throughout the Nation in November 1952. They were adopted as chamber policy by an overwhelming vote of 17 to 1 in the largest referendum vote in the chamber's 42-year history. A copy of that policy is attached.

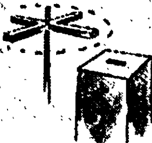
The objective of the chamber policy is constructive. It aims to improve social security so that it becomes a bulwark against destitute old age within our free society, and yet permits each of us to build for our own future through the free institutions of that society. The chamber believes that social security should provide a basic layer of protection for all the aged, with benefits related to past earnings, financed on a current basis by taxes on employers and employees (chart 1).

THE CHAMBER RECOMMENDS

A UNIVERSAL SYSTEM

A GRADUATED BENEFIT SYSTEM

A CONTRIBUTORY SYSTEM



A PAY-AS-YOU-GO SYSTEM

49558—54——32

Against the background of this chamber policy and of our continuing study of social security by recognized authorities in the field, we have carefully reviewed the provisions of H. R. 9366. The bill contains many good features and also some with which we do not agree. Other sound, constructive proposals have been omitted. I wish to comment on each of them and present the facts and reasons for our conclusions.

The chamber endorses some excellent provisions of this bill which would improve and strengthen our social-security system as a basic protection for the aged. It approves the proposed extension of tax coverage today and future benefit coverage to some additional 9.7 million persons. The chamber applauds the use of uniform annual earnings for both wage earners and self-employed persons in applying the retirement test. It endorses the extension of the retirement test to earnings in noncovered work and its extension to employment outside the United States. It supports the dropout provision as a device to achieve reasonable benefit levels for newly covered groups (chart 2).

Features of H.R. 9366

• THE GOOD-THE BAD-THE MISSING

- **Extends tax coverage today (Benefit coverage tomorrow)**
- **Improves the retirement test**
- **Reasonable catch-up device (Drop-out provision)**

The chamber opposes other provisions in H. R. 9366 which it believes would weaken the system in carrying out its main objective. It believes there should be no change in the taxable wage base. It disagrees with the proposal to increase benefits above the minimum. It opposes the provision for a disability waiver with its free, federally controlled medical examination (chart 3).

H.R.9366

- [illegible]
- Increased taxable wage base ($3,600 to $4,200)
- Benefit increases above minimum
- Special treatment for higher earning groups
- Disability waiver with free medical exam

The chamber urges that the bill be amended to include other vital provisions necessary to strengthen and broaden the social-security system. Coverage should be made really universal not only by extending tax coverage to all the gainfully employed but more importantly by extending benefit coverage to the present unprotected aged who are now denied that protection. The bill would then eliminate any remaining justification for continuing Federal support of old-age assistance. Also, it is timely to recognize reality in financing social security by officially putting it on a pay-as-you-go basis where current taxes are adjusted to meet current social-security expenses, with the so-called reserve fund retained to cushion against any sharp fluctuation in tax revenues (chart 4).

H.R. 9366

- Really universal tax and benefit coverage
- Benefits for the 8 million unprotected aged

"Temporary" Assistance

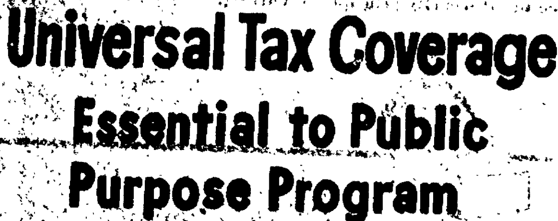
Financing

As I have pointed out, the chamber approves those provisions of H. R. 9366 which extend OASI tax coverage, on the expectation of future benefits, to some 9.7 million additional persons. This is a long step toward universal tax coverage—essential to a public-purpose program. This was the change recommended by the group who were consultants to Mrs. Hobby. The other proposals in this bill were developed elsewhere. However, even with this change, the bill still falls far short of really universal coverage. Those who will pay taxes in anticipation of future benefits will number 9.7 million more but 8 million aged are still denied benefits.

Universal tax coverage under OASI is essential for the equitable operation of this public-purpose program. Under the present OASI system, some 12 million employed persons, or roughly 20 percent of all workers, are excluded. The high degree of worker mobility that is characteristic of our dynamic economy inevitably leads to large numbers of individuals moving into and out of covered employment. The resulting incomplete coverage for large numbers of our working population is detrimental to the OASI system since these individuals pay OASI taxes only part of the time. It is also detrimental to the individual in that at worst, it results in no protection and at best, only partial coverage with a resulting lower average monthly wage for OASI purposes and a smaller benefit at retirement. The Government's social-security actuary has estimated

that universal coverage would reduce the cost of social-security benefits by almost one-half of 1 percent of covered payrolls.

The chamber believes that since social security is a public-purpose program to provide minimum protection against destitution in old age, no group should be exempted from paying taxes to support it. Undoubtedly even the majority of those excluded from social security at their own request under this bill—the firemen, policemen, and physicians—will, upon more careful consideration, see the wisdom and basic fairness of paying their share of social-security taxes, or for reasons of self-interest wish to receive the benefits (chart 5).



We have indicated earlier approval of the proposals to alter the present retirement test. The modification which substitutes a uniform $1,000 annual exemption for the $75 a month exemption for employed individuals is a substantial improvement over the present law. The present law which permits 1 person to draw maximum monthly benefits if he earns $75 in a month and yet totally disqualifies another who happens to earn $75.01 is illogical and unjust. Similarly, it is unfair to apply the retirement test on the basis of monthly earnings for the employed and on the basis of annual earnings for the self-employed. Today, a self-employed person who works throughout the year for $90 a month, for example, would lose only 1 month's benefit; whereas an employed individual also earning $90 a month

would be denied benefits for each month in the year. It is also apparent that there is no good reason to exclude from the retirement test earnings from noncovered employment or from employment outside the United States. Surely, both types of earnings are just as indicative of continued participation in the work force as earnings from covered employment.

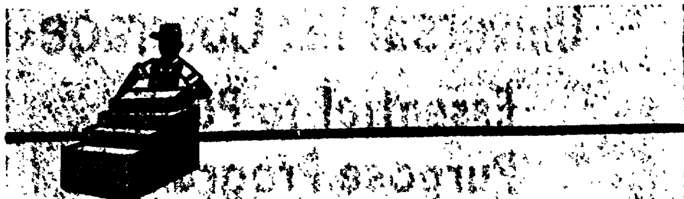
The bill before you goes a long way to correct inequities in the tax coverage and retirement tests of the present social-security system. We would like to emphasize our approval of these proposals.

Let me turn now to our reasons for opposing certain provisions in H. R. 9366. First, the provision increasing the taxable wage base from $3,600 to $4,200.

The basic argument against increasing the taxable wage base is so well stated in the minority report to H. R. 9366 that it is repeated here:

"The inflated wage base proposals * * * mark a departure from the basic purpose and justification of social security—that of affording a basic floor of protection—and would directly impair both the ability and incentives of the individual to achieve security through the normal processes of free enterprise."

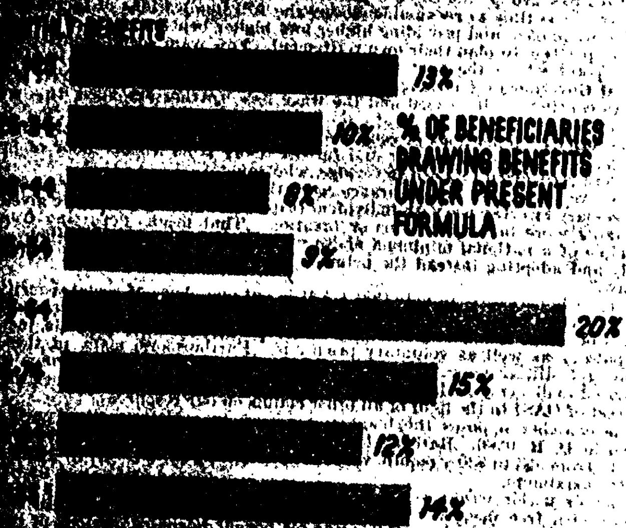
In a public-purpose program providing a minimum layer of protection against old age, primary consideration should be given to the lower-earnings group—those with less opportunity to plan for their own retirement. The $4,200 taxable wage base shifts the primary consideration to higher-earnings groups in violation of basic social-security principles (chart 6).



All of these basic considerations involved in increasing the taxable wage have been seemingly overlooked. Instead, a different reason is now advanced. The report on H. R. 9366 states: "The major reason for this proposal is to maintain the principle * * * that benefits, within limits, should vary with the individual's previous earnings." While we are in accord with that principle, it is difficult to see why changes in the taxable wage base are necessary to maintain it.

Apparently what this really means is that an arbitrary new limit is now being set. No other major justification is given for proposing changing the limits from $3,000 to $4,200.

Social-security benefits do vary within limits with the individual's previous earnings, as chart No. 7 clearly shows. There is no danger of flat-rate benefits. The chamber does not endorse them. In fact, based on benefits awarded in the first half of last year, the benefits were far from flat-rate and showed a remarkable variation in accordance with previous earnings. The average monthly primary benefit was $57, well below the $85 a month maximum benefit. Only 14 percent of all the primary benefits paid were at this maximum, while 13 percent were at the minimum of $25 (chart 7).



It has been argued that it is necessary to increase the taxable wage base in order to increase benefits. The report on H. R. 9366 correctly indicates that benefit amounts can be increased without increasing the taxable wage base by merely adjusting the benefit formula.

In total, the arguments seem to be overwhelmingly in favor of retaining the present $3,600 wage base and opposing any upward revision in it.

Closely connected and, in fact, interrelated with that provision is the proposed increase in all social-security benefit amounts.

The new formula, while increasing the benefits for low as well as higher wage earners, clearly discriminates against the lower wage earner by providing special benefits for the higher wage earners. The present formula provides a monthly benefit of 55 percent of the first $100 of average monthly earnings and 15 percent of the next $200 of average monthly earnings. The new formula would not increase the 55 percent, which is a weight in favor of the lower wage earner, although it would apply it to the first $110 of average monthly earnings instead of the first $100. However, the percentage applied against the higher segment of earnings—formerly the next $200 of earnings and now proposed as $240—is increased 33 percent.

Chart No. 8 clearly illustrates that the proposed benefit increases are primarily for the benefit of the higher wage earner—the one who is in a better position to take care of his own retirement. The beneficiary whose average monthly wage is $150 would receive $62.50 under present law and $68.50 under the proposed bill—an increase of 10 percent. On the other hand, the person whose average monthly wage is $350 would receive $85 under present law and $108.50 under the bill—an increase of 28 percent (chart 8).

Certainly, if it is necessary to alter the formula to provide a larger benefit amount because of changes in the cost of living—which has risen only 1 percent since 1952—emphasis should be placed on increasing lower benefit levels rather than creating extra benefits for the higher wage earners especially if the system is to fulfill its objective of a minimum level of protection for all.

This blanket increase in benefits, which extends and enlarges benefits for the high-earnings group, indicates a dangerous shift in the philosophy of social security. It is time to reexamine closely the full implications of increasing the taxable wage base and providing higher and higher benefits to those who are in a better position to plan their own retirement. Few want social security to lead to the point where the vast majority of American citizens must look to the Federal Government for their sole source of retirement security. Yet, if benefits are continually increased and the wage base further extended, this will be the inevitable result.

The serious implications of continuously increasing benefit amounts and thus shifting social security further and further away from a basic floor of protection were recognized by Lord Beveridge, who said:

"To give by compulsory insurance more than is needed for subsistence is an unnecessary interference with individual responsibilities. More can be given only by taking more in contributions or taxation. That means departing from the principle of a national minimum above which citizens shall spend their money freely and adopting instead the principle of regulating the lives of individuals by law."

Here, it is necessary to note that OASI is but one phase of social-security protection. The Chamber of Commerce of the United States recently released a new survey of fringe benefits. These benefits totaled 20 percent of payrolls, including compulsory as well as voluntary programs. Furthermore, many of these programs are still growing. Thus, we face the issue of how much income we are prepared to divert to social-security programs. In other words, we must examine the cost of OASI in the light of all other claims on our resources.

The chamber opposes the blanket increases in social-security benefits proposed in H. R. 9366. Rather, the chamber proposes to increase the minimum benefit from $25 to $30 a month, while retaining the present benefit formula with its $85 maximum.

Another major weakness of H. R. 9366 is the incorporation of a disability freeze with free medical examinations. This would provide that in the computation of the average monthly wage for benefit purposes, periods of complete disability in excess of 6 months are excluded. An individual's complete disability would be determined by a medical examination procedure controlled by the Federal Government.

SPECIAL TREATMENT FOR THE HIGHER PAID

UNDER H.R. 9366

AVERAGE MONTHLY WAGE

BENEFIT

PERCENT INCREASE IN BENEFITS

$150

PRESENT LAW $62.50

H.R. 9366 $68.50

+10%

$250

$77.50

$88.50 +14%

$350

$85.00

$108.50

+28%

The serious implications of such an elaborate federally controlled system of medical examinations should be clear to all. It could be utilized as an opening wedge in the ever-present drive for socialized medicine.

Aside from the danger inherent in such a provision, its benefits are at best doubtful. The major problem of caring for an individual who becomes totally disabled when he is 30 or 40 years of age is not one of paying him greater or lesser old-age benefits 25 or 30 years later. Nor is the provision of assistance to this individual the function of the old-age and survivors' insurance program. Social security is a public purpose program to provide protection against destitution in old age for the retired worker. It should not be confused with a sickness or accident benefit program.

The cost of such a provision in the social-security system is speculative. Any one of 72 million covered by social security could conceivably apply for and obtain a free medical examination at the expense of other social-security taxpayers at the completion of a minimum period of coverage. For example, in a single month from August to September 1953, 4,500,000 persons left the labor

force. Any or all of them who had the required OASI coverage could, 6 months later, demand a free examination.

The chamber believes that this is an unwise and expensive provision. Moreover, it is unnecessary. The 4- or 5-year dropout, also approved in H. R. 9366, offers an adequate solution for dealing with low earnings resulting from temporary absence from coverage, and is much more in keeping with OASI practices and procedures (chart 9).

Let me now turn to the serious omissions in H. R. 9366. One of them is the failure to extend benefit coverage to the 8 million presently unprotected aged. It is difficult to justify this discrimination. These individuals are excluded from OASI benefits mainly because of a capriciousness of fate—having been born too soon or having worked in uncovered employment.

The major argument that has been offered against blanketing in the retired unprotected aged is that they have not contributed to the system, and the payment of benefits to them would be a violation of a principle of sound insurance. It should be pointed out, however, that those who do collect benefits, in many

cases, have little more financial claim to benefits than those excluded. Their moral claim is the same. Many beneficiaries have derived their entitlement from the payment of only a token amount—as little as $6 in some cases—and for this nominal payment a man and wife—based on normal life expectancy—can expect to receive benefits totaling more than $6,500 in addition to the survivorship benefits afforded. No current beneficiary has paid in taxes anything close to the amount that he can expect to receive in benefits. The largest amount of social-security taxes of any individual and his employer now eligible for the maximum of $85 per month benefit is about $1,100. Assuming normal life expectancy and one dependent (wife) the individual will receive monthly benefits which will total about $22,000. For a tax payment of $1,100 they will receive $22,000 in benefits. Moreover, OASI taxes paid by individuals barely cover the cost of the group life insurance provided by OASI—leaving nothing for retirement benefits. The real cost of their benefits is being paid by other OASI taxpayers.

The blanketing in of the present 8 million unprotected aged would be entirely consistent with past social-security practices and sound pension procedure. In 1950 the precedent in social security was set when the principle of past service credit was established in bringing new groups under OASI.

The Senate Finance Committee said in 1950:

"The older worker should not be penalized for the fact that he could not contribute throughout his life. We propose, in effect, that, as in many private pension plans, the older worker receives credit for his past service. * * *"

The chamber, therefore, urges that the extension of minimum OASI benefits to the present excluded aged be accomplished now, as a matter of equity.

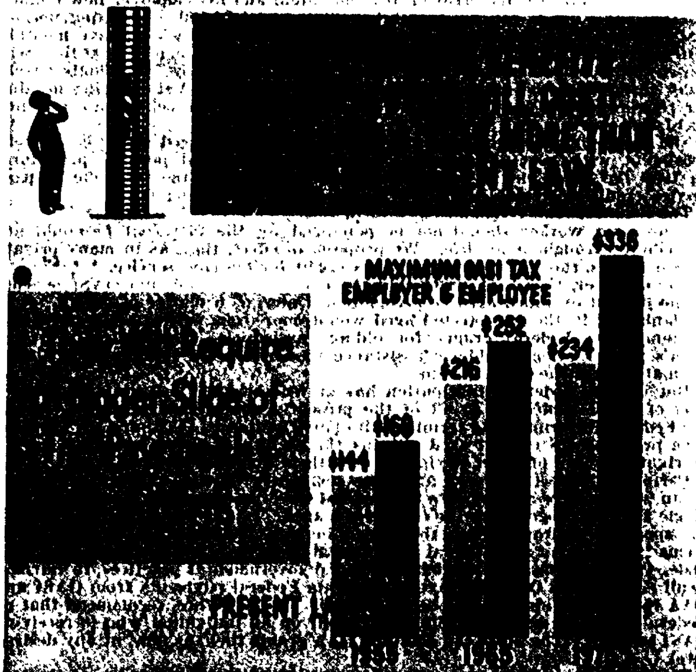
Blanketing in the unprotected aged would, moreover, permit the termination of temporary Federal grants for old-age assistance. The Federal Government's participation in old-age assistance was to have been temporary during the maturing of the OASI system.

But in fact Federal participation has grown through the year. The extension of OASI protection to all of the presently unprotected aged will permit the Federal Government to terminate its participation in OAA, and at the same time provide to 8 million aged citizens the dignity of OASI benefit payments by right, in place of relief payments with their humiliating means test.

Certainly, almost 20 years after the temporary old-age assistance program began we should be able to have the Federal Government withdraw in favor of a single Federal program for the care of the aged. In any event, working toward the speedy withdrawal from the discriminatory, temporary OAA program, it seems improper for the Federal Government to pay an individual dual benefits under two programs. On the basis of sound governmental practices, in fairness to all citizens and OASI taxpayers, duplicate Federal payments from OASI and OAA to any individual should be eliminated. We, therefore, recommend that no Federal grant be made to a State on behalf on an individual who is receiving OASI benefits. The State can continue OAA grants them, as now, at any desired level.

The points which we have made in connection with the expansion of the taxable wage base, increase in the maximum benefits and the provision of a disability freeze with its free medical examination at social-security expense, all serve to highlight one other provision omitted from the bill. They indicate that it is timely to recognize the wisdom of placing social security on a pay-as-you-go basis with current taxes adjusted to meet current social-security costs.

Only with social security on a pay-as-you-go basis can the true costs of benefit increases be appreciated. The cost of today's benefit increases are being assessed against tomorrow's taxpayers. We should be aware of our responsibility to the millions of young people who will have to bear this burden. We must provide a true picture of the costs involved—a brake against round after round of benefit increases which seemingly cost nothing (chart 10).



Our aim is to strengthen and improve social security so that it banishes fear of want in old age and at the same time becomes a bulwark of our competitive enterprise system, the system which makes it possible for us to look forward to something more than bare subsistence living.

UNITED STATES CHAMBER POLICY ON SOCIAL SECURITY

Experience now demonstrates that adherence to the basic purpose of a sound social security program for the aged requires:

(a) Adoption of a reasonable plan, in lieu of Federal grants for old-age assistance, to extend immediate protection under the old-age and survivor's insurance system to the present unprotected aged; and

(b) Periodic adjustment of the equal taxes on employer and employee and the tax on self-employed to support benefit disbursements on a current basis.[1]

The system of old-age and survivors insurance, as extended in 1950, now covers about 75 percent of the workers of the country. As experience is gained with the administration of the system, further extension should be made to non-covered groups to the extent feasible. Governmental and railroad employees should promptly be brought under the old-age and survivors insurance system.

[1] Adopted 1953.

The benefit level under old-age and survivors' insurance should be in line with the program's objective of providing a minimum layer of basic protection, thus leaving ample opportunity for the provision of additional protection through private initiative.

When governmental employees are covered under old-age and survivors insurance, the civil service retirement system and the many other Federal, State, and local systems for such employees should be revised to provide supplementary protection (if such protection is desired), just as the staff retirement plans of other employers have been revised.

Voluntary agencies and the State public assistance systems, in conjunction with the State vocational rehabilitation agencies, offer the best means of providing for the totally disabled. No Federal system of total and permanent disability benefits should be established either in connection with old-age and survivors insurance or otherwise.

Mr. MARSHALL. My associates have been telling me that one picture is worth a thousand words, so I brought some charts with me this morning and I hope those will be more explanatory than my words.

First I will point out that my name is A. D. Marshall, and that I work for the General Electric Co. in Schenectady, but I am today appearing for the Chamber of Commerce of the United States as a member of its board of directors and chairman of its committee on social legislation.

The chamber has long realized the significance and importance of social security. For many years, our committee on social legislation has intensively studied the social security system and worked to improve its operation. The chamber has been especially fortunate in having the advice and counsel of recognized authorities in the development of a program for sound social security.

Two years ago that committee of the chamber decided that some basic changes in the social-security system were vital. They presented their recommendations for those changes in a referendum to the chamber's organization members throughout the Nation in November 1952. Those changes were presented with the arguments for and against them, and were adopted. That policy was adopted as chamber policy by an overwhelming vote of 17 to 1, in the largest referendum vote in the chamber's 42-year history, and a copy of that report is attached. I will not go into the report in detail but simply say that the objectives of the chamber's policy are graphically illustrated in this first chart. We recommend that it be a universal system, that the benefits be graduated in relation to the employee's prior earnings, that it be a contributory system under which the employer and employee alike pay in, and that the system be put as rapidly as possible on a pay-as-you-go basis.

Those are the main principles of the chamber's policy.

Senator MARTIN. What do you mean by on a pay-as-you-go basis as rapidly as possible? Have you gone into how that can be made practical?

Mr. MARSHALL. We feel that the way to do that practically is to mature the system, to start paying benefits to the present unprotected aged, which means that you will then have a mature system. We will not touch the reserve fund of some $19 billion. Under the so-called Blagden formula the size of the reserve would be related to the amount of total covered payrolls and would be left as a cushion to protect against increases in taxes that might be necessary in the event of a depression.

Senator MARTIN. Would you plan to increase that reserve of 18 or 19 billion dollars?

Mr. MARSHALL. That reserve, under a formula like the Blagden formula, would be increased in periods of good times when payrolls were rising and a surplus was being collected over the benefits paid out, but would not be increased anything like the extent that the actuaries would say was necessary for a so-called actuarily sound system. My understanding of that is that it would be about 200 billion instead of 20 billion in reserve.

Senator MARTIN. It gets so large that no one can comprehend it. Senator Byrd probably has some very interesting figures on that. It is just so enormous that it is beyond comprehension.

Mr. MARSHALL. I wonder where you would invest it. You would have all the public debt and you might own all of General Electric and the rest of the productive enterprises in the country.

Senator BYRD. Your plan doesn't differ materially from the present plan, does it?

Mr. MARSHALL. I would say not. I would say it is merely fulfilling today——

Senator BYRD. If you don't disturb the trust fund and you still accumulate and add to the trust fund, which we are now doing to the extent of about a billion and a half a year, I think, I don't see a great deal of difference between the plan you have just explained and the one we have now.

In other words, there is no way to go on a separate pay-as-you-go plan. We agree on that, don't we?

Mr. MARSHALL. I think what I am saying, Senator, is that we would merely bring the system to the maturity now, 20 years after it was put in, that the people who put it in 20 years ago envisioned that it might reach——

Senator BYRD. What do you mean by maturity?

Mr. MARSHALL. Where we would have universal tax and benefit coverages.

Senator BYRD. We are getting beyond this bill, aren't we?

Mr. MARSHALL. No, sir. We are not paying benefits to the 8 million present aged who have no so-called earnings records under the program. That is the difference.

Senator BYRD. And you advocate that?

Mr. MARSHALL. Yes, sir.

Senator MARTIN. Have you had any figures as to what assessment would be on the employer and employee?

Mr. MARSHALL. The difference in assessment pretty largely comes from the payments to the 5 million of the 8 million who would be eligible for benefits. The others, I think, are working. The closest estimate we could get on that was that at the $25 minimum rate which is in the present law it would cost somewhere around a total cost over the life time of that present group of individuals of about $12 billion, as I remember it. You will remember that that would be a diminishing amount. It would be about a billion and a half dollars a year to start with.

Senator MARTIN. Say it would be 12 billion. What would be the assessment on the payroll from both employers and employees? Do you have figures on that?

Mr. MARSHALL. We have figures we could file. It is a half percent for the first year, but at the end of 25 years it would be nothing. It would be offset by the fact that the Federal Government could then withdraw from the old-age and survivors' program because it would be sending checks direct to the recipients of old-age insurance instead of giving the States money to transmit to them.

Senator BYRD. What you really recommend is giving an old-age pension to those over 65 that have not been able to accumulate in this fund by reason of the fact that they were not employed, is that it?

Mr. MARSHALL. That is right, those who are not covered because they did not have the opportunity to work in a covered job. I hate to use the phrase, Senator, "because they didn't contribute," because our thesis is that most of today's present aged who are receiving pensions didn't make any contribution to their present pension, as you will see later on in this testimony.

For example, a man can contribute for the minimum benefit as little as $6, and he and his wife, both aged 65, will receive $6,500 and under some circumstances even more in benefits. What we are trying to say is that there should be no distinction between that man who paid $6 and the fellow who didn't have an opportunity to pay anything.

Senator BYRD. I think you are right in what you say. What you mean by that is that if they are covered for 18 months, being 63 and a half years old, then they can get the pension. But that is only a very small percent, of course. What you propose to do, as I understand it, is to give what is equivalent to an old-age pension. Everybody over 65 who has not had coverage would get it, is that right?

Mr. MARSHALL. That is right, those who just didn't have an opportunity to work in OASI covered employment. Let me make another point right now.

Senator BYRD. Let me go a little further. What standard would you fix for that payment?

Mr. MARSHALL. The minimum benefit provided in the bill would be the payment that is made.

Senator BYRD. You would remove the restraint of the localities that now have to pay a part of it, and you would lose that benefit, wouldn't you?

Mr. MARSHALL. Yes, but the counties or the localities could continue their old-age assistance programs, of course.

Senator BYRD. Then they would get two old-age pensions?

Mr. MARSHALL. They do now. Of course over 10 percent of the present OASI recipients are now also receiving old-age assistance. That, I think, is the very dangerous part of this system for the future economy of this country. If we ever get to a situation where we have two competing systems—old-age assistance and old-age and survivors insurance—both could come before you gentlemen, the recipients competing for benefits, and both systems getting money from the Federal Government. Then we will have an octopus on our hands.

Senator BYRD. At the present time, whatever they receive from social-security funds is taken into consideration when the old-age assistance is given, is it not?

Mr. MARSHALL. That depends on the individual States.

Senator BYRD. Would you give this to everybody regardless of need?

Mr. MARSHALL. That is right, just the same as the theory behind the OASI program.

Senator BYRD. The millionnaire would get it as well as anyone else if he is 65 and has no income?

Mr. MARSHALL. That is right.

Senator BYRD. What would be the object of giving it to people at that age who don't need it?

Mr. MARSHALL. The present OASI program does exactly that. It gives benefits to many bank presidents and presidents of corporations who don't need them. All we are saying is that the present system of OASI insurance should be extended to all the present aged. It is as simple as that.

Senator BYRD. Without the question of need?

Mr. MARSHALL. That is correct.

Senator BYRD. Notwithstanding the fact they have made no payments into the funds?

Mr. MARSHALL. Neither have some of the present recipients.

Senator BYRD. A lot of them have. What do you mean, they haven't made any.

Mr. MARSHALL. The actuary for the OASI has pointed out—and we will file a copy of his letter with you if you wish—that as a matter of fact the present pensioners, the recipients of OASI insurance who have been covered and paying into the system since 1937, have actually had all of their payments used up by the survivors insurance, the group term life insurance that they enjoyed from 1937 until the time they retired. I will give you a concrete example of that. I have a young man working for me, and I figured this out for him. He has two small children. At the present time we figured out that if he died his wife and those children would receive benefits under the present OASI system equal to about the benefits he would receive had he been paying premium on a $35,000 life insurance policy. The smallest group term rate for that $35,000 life insurance policy is around $300 a year. He has been paying $72 and his employer has been paying another $72 into this system.

So, actually, his life insurance that he is enjoying under the OASI system at the present time is being approximately one-half paid for by other taxpayers. So the people who are presently on pensions under the OASI system actually, according to Bob Myers, have paid little or nothing if we consider that the payments they have made to date paid for their group term life insurance. They have paid nothing for the current benefits they are receiving which are paid for by the current taxpayers under this system.

Senator MARTIN. Would you furnish to the committee your estimates of the cost, of the percentage of assessment on the employee and the employer? Really, the way we are handling this thing now it is going into the Treasury and it is really a tax.

Mr. MARSHALL. That is right. We will be very glad to do that.

(The information requested follows:)

There are approximately 8 million individuals 65 years of age and older in the United States who have no OASI covered earnings and are not receiving OASI survivorship or dependency benefits. Between 5 and 5½ million of these individuals who are now outside of the labor force would immediately be brought under OASI at a minimum benefit rate under a blanketing-in procedure.

According to the social security actuary, the cost of blanketing in all of the presently unprotected, retired aged would be about one-half of 1 percent of

covered payrolls on a level-premium basis. However, if blanketing in the present unprotected retired aged is coupled with universal tax coverage, as recommended by the chamber, the total cost at a minimum benefit payment of $30 per beneficiary would, according to the social security actuary, be the same as the cost of the present OASI program.

The annual cost of blanketing in and universal tax coverage would initially be about four-tenths of 1 percent of payrolls. This extra cost, however, would decline to nothing within 30 years.

Senator MARTIN. All right, go ahead.

Mr. MARSHALL. Those are the main elements.

Senator MARTIN. You have been consolidating things here. I would like to ask you a question on page 6 of your formal statement. Which proposals were developed by the consultants of the Secretary and which were developed elsewhere?

Mr. MARSHALL. As a member of the consultants committee, we were asked only to advise Mrs. Hobby on whether it was (*a*) advisable, and (*b*) feasible, to extend tax coverage so that the proposals for extending tax coverage, in the hopes of future benefits, to the presently employed people, are the only parts of this bill which the consultants developed.

All of the rest of the provisions of the bill were developed elsewhere. I just want to make that point clear.

Senator MARTIN. That is something that I feel the committee is entitled to know.

Mr. MARSHALL. Incidentally, in connection with that, I would like to call your attention to page 12 of the bill. I would like to make a suggestion. Where it says—

It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection, that the protection afforded employees in positions covered by retirement system on the date and agreement under this section is made applicable to service performed,

and so on. We agree in principle to this provision.

This is one of the parts the consultants helped with. But we think it would be much clearer and make the meaning much clearer if the phrase "the rights accrued to employees in positions covered by a retirement system" was substituted for the words "protection afforded." It is line 13 on page 12. The reason is that when a private pension plan is integrated with social security, as we in General Electric did the pension rights earned by the individual in his past service are protected. For example, in 1946, if I had had 20 years of service my rights under the preexisting pension system up to that date would have been retained. After that date you have a new pension system, which is integrated with social security. Your rights for the next 20 years until you get to be 65 will be determined by the integrated program. I think it would be much clearer that this is what we meant by this section if we expressed it in the above-suggested manner. That I know may not be legal language. I am not familier with legal language. But it is the pension and insurance language and I think would clear up that point.

Senator MARTIN. All right, go ahead.

Senator BYRD. I would like to get clear what this proposal means to take in everybody over 65. It seems to me to be a baby Townsend plan. I don't want to cast any reflections upon the United States Chamber of Commerce, but this is a new concept. You are taking in

people and making payments to them for which they made no contributions whatever. I am correct about that, am I not?

Mr. MARSHALL. I didn't understand the question, Senator Byrd.

Senator BYRD. You are taking in about 4 million people who will receive a pension who have made no contributions whatever.

Mr. MARSHALL. Toward their retirement income?

Senator BYRD. Yes.

Mr. MARSHALL. We have already done that. We are only following the present system.

Senator BYRD. No, we haven't done that because these particular people haven't paid anything and aren't covered.

Mr. MARSHALL. The present recipients have pensions under OASI and have paid nothing toward their pensions either.

Senator BYRD. That doesn't make any difference. If they are in a covered industry or occupation they do pay a part of their payrolls.

Mr. MARSHALL. I feel a little badly, Senator, because I have been paying in at the maximum amount since 1937 under this system and if I live will continue to pay for another 20 years or so before I receive OASI benefits, but people are now getting as much pension under the system as I will get under the present law in the future.

Senator BYRD. That may be so but they have paid something.

Mr. MARSHALL. Not for their pensions, Senator.

Senator BYRD. They have had a payroll deduction, haven't they? They have paid something. These people have paid nothing.

Mr. MARSHALL. That is right.

Senator BYRD. And you put on 4 million of them. They will get $30 apiece each month.

Mr. MARSHALL. That is right.

Senator BYRD. Which is a billion and a half dollars and they have contributed nothing to it.

Mr. MARSHALL. That is right.

Senator BYRD. I just wanted to make that clear. I certainly am not in sympathy with that recommendation and it changes the entire conception of the social-security program whereby the individual makes a contribution. These particular people don't give one single red cent.

Mr. MARSHALL. I think that is one of the misconceptions of this system which has been sold to the American people, that somehow it is a savings program or insurance program under which people in some way save up for their old age.

Senator MARTIN. Isn't it generally a forced-savings plan?

Mr. MARSHALL. Let me say it another way, Senator. It is a forced plan but in essence it is a forced plan under which the present generation of taxpayers are paying for the benefits to the present generation of pensioners, and no system that I know of, as Senator Byrd so well pointed out, can do anything else. If it was a forced-savings plan, then we would have the $200 billion in reserve, which would be the money that I had put aside and my employer, to pay for my pension when I reached 65.

Senator MARTIN. It would be actuarily sound like the teachers retirement in Pennsylvania is actuarily sound.

They have their investments in a variety of securities and they are just as sound as any insurance company.

Mr. MARSHALL. That is right, Senator.

Senator MARTIN. As far as that is concerned, I have been paying into this thing since it started, myself.

Mr. MARSHALL. Just turn to page 15 of my testimony, as long as we are skipping around a little bit.

Senator MARTIN. I think we are coming along all right. Go ahead.

Senator BYRD. I just want to make clear, Mr. Chairman, my position so far as those in need who are now being taken care of under another program. I am not objecting to that. But this proposal starts a new concept. Certainly so far as varying from the principle up to this date, all recipients have paid in something due to these payroll-tax reductions. Furthermore, these payments will be made without any question of need. Anybody over 65 would receive it. Whatever we may think of the present social-security plan, I think this can be said of it, that up to date with one exception it has drawn no subsidy from the Federal Treasury.

Senator MARTIN. That is right.

Senator BYRD. The only subsidy it has had has been a 3-percent payment on a trust fund, which is about one-half of 1 percent in excess of what money could be borrowed for outside. That was discontinued in 1939. So up to this date it has been a self-sustaining fund with a balance of about $18 billion, and it may not be actuarily sound—I don't think it is—but so far the Federal Government has only made the contribution which is the difference of this 1 percent on the interest paid on the trust fund. That was discontinued in 1939.

Senator MARTIN. Senator Byrd, I think there is a great deal of merit to this whole plan. But I feel the United States would not be endangered if we carry on the financial side of it as well as we have so far carried it on. I don't like to see this enormous fund. I would like to see it each year pay for itself and take care of those who really need it.

Might I ask you a question? In this plan of yours, how many will it add?

Mr. MARSHALL. Actually, it is my recollection—and we will file a statement on this, Senator—there are about 8 million presently unprotected aged but it is estimated some part of those are working now so it would be some 5½ million who would be receiving benefits.

Senator MARTIN. Is it the plan of this bill to take care of about that number of additional people?

Mr. MARSHALL. No, the plan of this bill would take care of an entirely different group of people. It would take care of people who are now working.

Senator BYRD. One second, sir. If it is 8 million, then, my figures are wrong. I based it on 4 million.

Mr. MARSHALL. Your figures are right.

Senator BYRD. Instead of being an additional cost of a billion and a half it would be 3 billion?

Mr. MARSHALL. No, as the gentleman at your left can tell you, only about 5½ million would be eligible for benefits.

Senator BYRD. I don't know whether you will agree with my point, but if you pay out of this fund a billion and a half—that is the low figure—to people who have never made a contribution to it and do it by a Federal law, that places an obligation on the Federal Government to make good that loss by an appropriation. I think sooner or later we will have to contribute out of the Federal Treasury about a billion

and a half that we are taking away from this fund and giving to people who have made no contribution to it.

Mr. MARSHALL. Let me point out, Senator, on page 15 of the testimony here, in the middle of the page, that the largest amount that any single individual now receiving a pension has made to contributions to this fund is $1,100. Assuming a life expectancy for he and his wife of 65, that individual is going to get $22,000 out of this fund. Excuse me just a moment. Let me continue my thought. If this supposition of yours is correct, you should now be making an appropriation from the Federal Treasury of the difference between this $1,100 and the $22,000 he is going to get.

Senator BYRD. We don't have to do it as long as we have got $18 billion on hand which was accumulated entirely without Federal assistance. There was no Federal aid attached to that except this minor thing I have just mentioned of this one-half of 1 percent more. But you will admit you are advocating a new concept, won't you?

Mr. MARSHALL. No, I am sorry I don't admit that. I am only advocating what the Senate Finance Committee said in 1950.

Senator BYRD. You are going to take in 4 or 5 million people who have never paid a cent and you cannot point out to me anyone in the present system, anyone who gets benefits who has not paid something. They may not have paid enough.

Mr. MARSHALL. I would like to read from your report of 1950 at the top of page 16 of my testimony. "The older worker should not be penalized for the fact that he could not contribute throughout his life. We propose in effect that as in many private pension plans the older worker receive credit for his past service.

Senator BYRD. But you are not answering my question. Is there anyone receiving social-security benefits that hasn't paid something?

Mr. MARSHALL. There are dependents and wives receiving benefits. I will give you a classic example.

Senator BYRD. Give me a "Yes" or "No" answer.

Mr. MARSHALL. No, I have a better one than that. I know a dentist who retired at the age of 70 and sold his dental equipment. He had been a bachelor all his life and he was getting lonesome in his old age. So he married his office assistant, who was quite a personable lady of 65. All of a sudden he found himself a recipient of OASI benefits because fortunately he had been paying the taxes as he should on her salaries. As a dependent spouse, the said dentist is now a recipient of OASI benefits. I would just like to point out there are some people who are getting it who have not paid into it.

Senator BYRD. Didn't his wife pay it?

Mr. MARSHALL. She made a contribution.

Senator BYRD. Somebody paid a contribution. This new plan that you advocate has no contribution involved.

Mr. MARSHALL. I think you will find veterans are getting benefits without contribution.

Senator BYRD. Maybe they are but your proposal is to put on 4 or 8 million on the payroll at $30 a month whether they need it or not after they are 65. Is that right?

Mr. MARSHALL. That is right.

Senator BYRD. That is all I want.

Mr. MARSHALL. And I would like to add to that statement the fact that if we do not do that, we are trying to draw a distinction between

a man who has paid $6 and is getting $6,500 in benefits and the fellow who has paid nothing, and that is a rather fine distinction for me to make.

Senator BYRD. You are making another distinction between some of our people who didn't pay anything. At least the man paid $6. That is something. But I don't know how anybody could only pay $6 and get all the money you talk about.

Mr. MARSHALL. As a matter of fact, it would be very simple, Senator, if we wish to preserve the figures of contributions to the old-age pensions, which I thought had been discarded by the Senate Finance Committee in 1950, if we wish to make an appropriation from the Federal Treasury, it might well be that you could make an appropriation of $6 apiece for each of these 5½ million people, in effect pay the contributions, the minimum contributions that would have been made had they been permitted to do so earlier during their working life, and then pay them the benefits. That is a simple procedure.

Senator BYRD. That couldn't be done because they weren't under covered occupations.

We just couldn't do that bookkeeping.

Mr. MARSHALL. Or perhaps all of them would be glad to contribute the $6 to get the $6,500.

Senator BYRD. I am in strong disagreement with that part of your recommendations. You may have many other good thing in them.

Mr. MARSHALL. With your permission I will just quickly go through the charts, Senator. We have the next chart which shows that we endorse certain good features of this bill—extension of the tax coverage today to some 9.7 million people and we endorse the improvement in the retirement test and the reasonable catch-up device,, this drop-out provision for 5 years of earnings. We do not like, however, the provisions shown on the next chart, the increased taxable wage base and the benefit increases above the minimum.

We think both of those are unnecessary in a social service program under which we are trying to really provide a basic minimum level of protection or social insurance against want in old age. We do have charts that will show you that the increased benefits under H. R. 9366 go principally to the higher paid people, the people who are less needy. As a matter of fact, I think we have got a chart here which shows that the benefit increases——

Senator MARTIN. Before you go on to that, I have been out of the room for a moment and I am going on with your testimony on page 15. I would like you to explain what you mean by group life insurance in OASI.

Mr. MARSHALL. I had this one example. I guess you were out when I cited it.

Senator MARTIN. If you did, I will not take the time because I can read it in the record. Go ahead.

Mr. MARSHALL. I think we have a chart here which shows that under the proposals for increasing benefits and for increasing the taxable wage base the principal advantage accrues to these people who are getting $4,200.

In other words, they are going to get a 28 percent increase in benefits, while at the low end of the scale there is only a 10-percent increase in benefits. We don't feel that under a social service program of this kind there should be this tremendous advantage to the higher paid

people who theoretically can take care of themselves. We feel that if there is tax money available for an increase in benefits it would be more appropriate simply to increase the minimum benefits than to give the higher wage earners an extra share in this benefit coverage. That is the reason why we oppose the increase in the taxable wage base and the formula suggested in this bill for increasing benefits.

Senator BYRD. Have you made any study of whether the higher people pay their way or not?

Mr. MARSHALL. As a matter of fact, the higher paid people, I think, may well pay their way.

Senator BYRD. Isn't that an element in this whole situation?

Mr. MARSHALL. I would say not, Senator Byrd.

Senator BYRD. You think this is a charitable proposition?

Mr. MARSHALL. No; I don't think it is a charitable proposition but I think the higher paid man should be allowed to invest his money in an insurance annuity or buy insurance from a private insurance company or put his money in the savings bank.

I don't think the Government should take it away from him and then give it back to him. I don't think that is the proper place of Government.

Senator MARTIN. How are you going to work out the dividing line as to the one who should buy his own insurance? I wish it was possible for every man and woman in America to be able to do this, but in some way the Lord didn't create everybody as a moneymaker. Some of us worked at jobs like Senator Byrd and I are doing right now and that is not very profitable.

Mr. MARSHALL. Sometimes I feel I ought to go back and work for my employer a little while, too.

Senator MARTIN. That theory is good but I don't know how you are going to establish that division line.

Mr. MARSHALL. Let me give you what I consider a reasonable answer to that at the present time. First let me quote you some authority for our position on this. Lord Beveridge, who was often called the father of social security, and I refer to page 12 of my testimony, said—

> To give by compulsory insurance more than is needed for sustenance is an unnecessary interference with individual responsibilities. More can be given only by taking more by contributions or taxation. That means departing from the principle of the national minimum above which citizens shall spend their money freely and adopting instead the principle of regulating the lives of the individuals by law.

He not only wrote that years ago, but I heard him substantially repeat that at the National Industrial Conference Board dinner in New York just a few weeks ago.

Senator MARTIN. I am sure you don't want us to get on to the same plan and state of conditions that they have in Great Britain.

We don't want to get into that.

Mr. MARSHALL. Now, on that other question of yours of where the dividing line should be drawn, the place to draw the dividing line is when a substantial portion of the beneficiaries under any public-service program like this are earning enough so that they are all getting the maximum benefits. I will show you a chart now which indicates that we are yet far from that point under our present system. Here is

an actual chart of all of the beneficiaries who retired in the first 6 months of last year.

I would like to emphasize those two points. They are all the beneficiaries, and it is for the full first 6 months of last year. Those divisions you see on the left-hand side are equal $10 divisions on this chart, as contrasted to some other charts I have found in the testimony that has been presented to this committee. You will find that only 14 percent of the beneficiaries under the present program are getting the maximum; 13 percent are getting the minimum. The mean line here is around $57 in that group where there are 20 percent. I would like to submit to you when you get a chart that shows you that half or 75 percent of the people in the United States are earning so much money under this system that they are getting the maximum benefits, then is the time to consider raising the taxable wage base, and so forth. But as long as the situation is as it is shown on that chart, I think that by raising the taxable wage base and changing the benefit formula as is now proposed, we are giving an undue advantage—taking from the fellow who should rightfully save for his own old age and turning it over to the Government on the promise of repaying to him. He ought to be investing that money in the savings bank or the insurance company or maybe even in the stock market if he is a gambler.

Senator BYRD. Do you recommend the stock market now? General Electric hasn't been doing badly lately.

Mr. MARSHALL. I am amazed.

Senator MARTIN. The thing that worries me, Senator Byrd, and has worried me in the last few days is that so many of our big concerns have been forced to go out into the market and borrow money. We don't have enough equity capital. What I am afraid of is that your plan piles up even more along that line. Let us take, for example, United States Steel. It went into the market for $300 million. They built that great plant northeast of Philadelphia and they have gone to South America to secure ore and of course that is all taking enormous money. But we are overexpanded in our country. We have got more steel mills than we need. Of course, the Federal Government says if the steel companies didn't build them they would, and they went ahead, but we are overbuilt in steel mills and so many other things.

Mr. MARSHALL. I hate to get out of my field, Senator, but I would like to tell you a little story that I have told Dr. Schmidt. He is much better able to answer that question than I. We are looking ahead to 1964. We think that 10 years from now the production of electricity in this country will be so great that we are expanding our factories now. For example, you can see it in certain items like air-conditioning We think the field in that is tremendous. We don't think that the General Electric Co. is at all overbuilt. We think we have to spend a lot of money.

Senator MARTIN. General Electric and Westinghouse are not. This thing of electric power is going to advance until we will all be using so much power that we will have to rewire all of our houses. The wiring is not heavy enough. It will all have to be done. Everything is going to be air-conditioned and self-dusting and so forth. I am sorry to have gotten you off the track.

When you say you advocate termination of Federal old-age assistance grants, do you also advocate the same as far as the States are concerned?

Mr. MARSHALL. No, sir. We say that the old-age assistance program, once this OASI program is made universal so that all of the people are getting $30, then the State could very well take on the balance. For example, I have the figures here for Pennsylvania. The average OAA benefit for a recipient in December 1952 was $45.47. Of that the State paid $17.60. If you paid from OASI $30, which is proposed by this bill, the State's share in order to maintain the present benefit would be $15.50, you see, instead of its present share of $17.60. The same situation isn't true of all States. In some States you would have to pick up more of the burden because they do have higher OAA payments than others.

Senator MARTIN. If we would cease these Federal grants in the States, what effect would that have on the finances of the various States? Have you given any thought to that?

Mr. MARSHALL. Yes. The majority of them would gain in this thing because of this particular device. Those that wouldn't gain directly in the OAA program would gain through the fact that as Senator Byrd has pointed out many who are not getting OAA payments because their relatives can support them, or something like that, would get direct payments under the OASI program, so there would be that money coming into the States under this program. We have some studies on that.

The Treasury would save the $900 million or the billion dollars they are paying out of the general revenues for old age assistance grants.

We are against this provision for a federally financed medical examination to determine whether people are disabled or not. We think the 5-year dropout provision will take care of most cases of disability absences and we are greatly fearful of federally controlled medical examinations first as an encroachment on the field of medicine and secondly, it would be a bonanza for people who wanted a free medical examination. In 1953 employment was relatively low; 4½ million people left the labor market in 1 month from August to September. Under this proposal every one of those people who had the minimum required coverage under OASI could come in 6 months later and ask for a free medical examination. We think the dangers inherent in that proposal are much greater than the advantages that you are going to derive from it as long as you have the 5-year drop-out provision in the bill, which would enable a fellow who is sick as long as 5 years to drop that period out of his earnings computation.

Senator MARTIN. Do you have any further questions of Mr. Marshall, Senator Byrd?

Senator BYRD. No, I have no questions.

Senator MARTIN. Thank you very much.

(The following letter was subsequently received for the record:)

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D. C., July 9, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: This is in response to a request made at the July 7 hearings on social security before your committee for more information and further clarification of certain points raised in connection with the chamber's proposal to improve the social-security law.

(1) It is entirely consistent with the history and past practice of social security to pay benefits to the unprotected aged, as recommended by the chamber, even though those aged have not paid any social-security taxes. Members of three large groups have, in the past, been given wage credits and social-security benefits without having made any payments in the form of social-security taxes and neither had their employers. The Supreme Court determined in a series of cases that benefits may be paid to claimants whether or not social security taxes had been paid by them.

(*a*) Prior to 1948, between 500,000 and 750,000 individuals, whose status as employees was in doubt, were, according to the Social Security Board, given wage credits on which social-security benefits were paid although they had contributed no taxes. Many of these individuals later received OASI benefits without ever paying any social-security taxes whatsoever.

For further details on this point, reference is made to the history of the so-called status quo (Gearhart) resolution in the 2d session of the 80th Congress.

(*b*) Under the provisions of the Railroad Retirement Acts of 1935 and 1937, (the special Federal social security program for railroad employees) 86,000 individuals who had not paid anything into the system were paid benefits.

In addition, over 90 percent of all the annuities granted under the railroad retirement system since 1937 are based in part upon free wage service credits for years previous to 1937 for which no taxes were paid either by the beneficiary or his employer.

(*c*) By far the largest group to benefit from the granting of free wage credits and benefits without payment of taxes have been the veterans of World War II and of Korea. A free $160 wage credit for each month of active service was granted to members of the Armed Forces under provisions of the 1950 social security amendments. Somewhat similar provisions for veterans were added by the 1952 amendments. Over 20 million servicemen have received these free-wage credits. The number of veterans or their survivors who have collected benefits without having paid any social security taxes whatsoever is appreciable. The social security actuary has indicated that the data on the exact number of such beneficiaries and amount of benefits paid is not now available.

These illustrations clearly indicate that social-security benefits have been paid to large numbers of beneficiaries or their survivors who have paid no social-security taxes and that the chamber's proposal to extend protection to the retired unprotected aged does not represent a violation of prior established practices.

(2) Concerning another point raised at the hearings, the chamber's nationwide referendum which overwhelmingly adopted, among other features, the concept of extending social-security protection to the unprotected aged was not adopted on the assumption that the cost of benefits to those aged was to be financed from the social-security trust fund—as may have been suggested by other than chamber spokesmen at the hearings. A copy of that referendum circulated to our membership has been filed with your committee clerk. There is no indication in it that benefits to the unprotected aged would come from the trust fund.

(3) With regard to the cost of blanketing in the present unprotected aged, tax collections under the proposed legislation are more than sufficient to cover payment of benefits to the presently unprotected aged without depleting the trust fund in any way. Mr. Robert J. Myers, social security actuary, has stated that "the cost of blanketing in the noninsured aged under a program with universal employment coverage * * * [advocated by the chamber] * * * would be about the same as the cost of the present program [OASI]."

(4) To buttress further the chamber's contention that it is proper and just to pay benefits to the unprotected aged and that it would not prejudice the rights of those who have been paying taxes, Mr. Marshall indicated in his testimony that, in effect, about all that current social security taxpayers have "bought" is the cost of their survivorship protection—similar to group-life insurance.

This point has been made clear by the social security actuary who said: "In general, then, I think it can be fairly said that as a group, individuals covered during 1937-50 received sufficient value as survivor benefit protection to at least offset the employee contributions made."

In considering the position of the millions of unprotected retired aged we are facing a special situation. Our proposal to include them under OASI in no way weakens our endorsement of the principle that this program should be financed with equal employer-employee contributions, and not from general revenues.

Respectfully,

EMERSON P. SCHMIDT,
Director, Economic Research Department.

Senator MARTIN. Mr. Emery of the National Small Businessmen's Association.

STATEMENT OF DeWITT EMERY, NATIONAL SMALL BUSINESSMEN'S ASSOCIATION

Mr. EMMONS. Mr. Chairman, Mr. Emery regrets that he is ill and was not able to come at the last minute.

Mr. Chairman, my name is K. B. Emmons. I am the marshal and director of the association. Mr. Emery respectfully requests, if it is possible, to have our statement entered into the record.

Senator MARTIN. Without objection, the statement of Mr. Emery will be made a part of the record.

(The statement referred to follows:)

STATEMENT OF DEWITT EMERY, PRESIDENT, NATIONAL SMALL BUSINESSMEN'S ASSOCIATION

Mr. Chairman and members of the committee, my name is DeWitt Emery. I am president of the National Small Businessmen's Association. My home and the office of the association are in Evanston, Ill.

In view of our time allotment, our statement will be confined to three interrelated increases proposed by H. R. 9366: (1) In maximum social security benefits, (2) in the taxable wage base, and (3) in the ultimate tax rates. Our position on other social security changes and on pay-as-you-go financing and other fundamentals is found at page 481 of the printed record of the House hearings on the pending bill.

Obviously the proposed increases in maximum benefits cannot be shown to be necessary to relieve destitution. Accordingly, arguments for this increase and the related increase in the taxable wage base were built around a series of statistical charts, showing wage levels, benefit levels, etc. But there were no charts showing the increase in tax burdens, or distribution of these burdens. Our statement fills in this gap by summarizing maximum benefit costs, who pays them, and how H. R. 9366 would add to our children's and grandchildren's social security tax burdens.

When H. R. 9366 was before the House, Congressman Curtis of Missouri touched on fundamentals when he said:

"We are financing this program by taxing the future generations * * * Where does this Congress, in the year 1954, get the prerogative to tax our children and grandchildren?"

H. R. 9366 proposes to increase maximum benefits presently paid old couples from $127.50 to $147.80, and, in 1956, to $162.80—27.6 percent. It proposes to immediately increase maximum taxable wages some 17 percent, to $4,200. In 1975, the scheduled maximum employer-employee tax would be increased to $330—47.6 percent.

Comparison of the high employment, high cost estimates of the Social Security Administration's Actuarial Studies No. 36 (existing law) and No. 38 (H. R. 9366) shows that the proposed increased coverage, wage base, and benefit formula would change the program as follows:

1960 monthly beneficiaries (in thousands), expenditures and tax revenues (in millions)

	Existing law	H. R. 9366	Percent increase
Number of beneficiaries	10,260	10,450	1.9
Benefits and administration	$6,300.00	$7,937.00	26.0
Tax revenues	$6,578.00	$7,765.00	18.0
Minimum primary benefit	$25.00	$30.00	20.0
Average monthly benefit	$48.94	$60.75	24.1
Maximum primary benefit	$85.00	$108.50	27.6

You will notice from these estimates that even under existing law benefit expenditures are quite near tax revenues for 1960 and under H. R. 9366 expenditures would exceed these revenues. The 1960 revenues are scheduled to be sharply increased over the 1959 revenues by a 25-percent increase in the tax rates January 1, 1960. So, for 1959, we would probably be lucky to stay in the black if we retained the present benefit schedule and covered more people. H. R. 9366 would probably mean in 1959 that expenditures will very greatly exceed tax revenues.

These estimates raise fundamental questions of whether H. R. 9366 in fact carries out social-security's purpose of, along with public assistance, meeting the problem of human destitution.

Does increasing the minimum benefit $5 and increasing the maximum primary benefit $23.50, and reserving it to persons who have earned $4,200 a year, the proposed extended wage base, carry out the system's purpose?

Our organization says no, and on this fundamental basis opposes both the proposed maximum benefits and the proposed $4,200 wage base.

We believe that these proposals are wrong in principle, and we also believe that it is wrong to impose the eventual crushing tax burden which would result from their enactment.

Examining the estimates further, we find expenditures under H. R. 9366 rising to over $12 billion in 1970, and to over $16 billion 5 years later. To meet this, H. R. 9366 proposes maximum annual taxes of $178 each on employers and employees, and $252 on self-employed persons. We question whether even these would suffice.

In increasing the maximum benefits and the maximum wage base, H. R. 9366 is supposed to be doing something for higher paid people. This is obviously true when we consider the present aged and middleaged, but their added benefit increases are made without substantial increases in their total taxes. Let's see what happens to our children and grandchildren, who will have to pay the high taxes.

Social security benefits and taxes are presently publicized as insurance and insurance premiums. But this is completely debunked by the Social Security Administration's Actuarial Study No. 34, which, to quote the foreword, was "prepared for the use of the staff of the Social Security Administration and for limited circulation to other administrative, insurance, and research persons." The study's tables of actual premium costs of individual benefits bear out Congressman Curtis' statement which I have quoted. This study shows, for example, that when a married man, covered 5 years by OASI, retires on maximum benefits at 65, his actual premium is 70 percent of his total taxed wages for those 5 years. His actual taxes have averaged less than 2 percent. If you credit him with his employer's tax, some $13,700 of his premium still remains to be paid for by other OASI taxpayers.

Nevertheless, H. R. 9366 proposes to increase the benefits of this old couple from the present $127.50 per month to $147.80. It would also still further increase benefits of persons who retired with a year and half of coverage under the proposed $4,200 wage base to $162.80. The employee and his employer, together, would pay $30 more total taxes than under existing law. The $162.80 per month benefit would add around $4,500 to the $13,000 of his actual premium other taxpayers must pay.

In tracing down who is supposed to pay these tremendous unpaid premiums, the tables I have referred to point out the reasonably successful young. They are scheduled to pay in over a lifetime, and at high rates.

H. R. 9366 schedules them to get 27.6 percent more benefits, which would increase their premium 27.6 percent, but they are also scheduled to pay 43.6 percent more annual taxes after 1975.

The contrast between the actual taxes and actual premium costs of a married man paying maximum taxes 5 years and retiring for maximum benefits in 1956 under H. R. 9366, and his grandson who has a lifetime of maximum coverage is:

Present age 63, 5 years total coverage:	
Total employer and employee taxes	$700
Total actual premium	18,200
Total left for other taxpayers to pay	17,500
Present infants, 45 years coverage:	
Total employer and employee taxes	15,000
Total actual premium	9,500
Used for other beneficiaries	5,500

The above young taxpayer is assumed to have had three children and maximum protection. In contrast, the single individual's premium is less than half this taxpayer's premium. His taxes and his employer's taxes would overpay his actual premium by more than $10,000.

If, instead of paying social-security taxes, the same amount were set aside by the employer and employee for the employee's benefit, the balance at 65, assuming 3 percent interest, would be over $31,000. At current commercial annuity rates he could, if he wished, purchase a joint and survivor annuity for himself and his wife of $182 with $121 per month on her death if he is the survivor, and $91 if she is the survivor.

If he waited until 67, the average OASI retirement age, his capital would be $33,700, and he could purchase a substantially larger annuity.

Quite obviously, H. R. 9366, while increasing benefits, would further victimize young persons earning $4,200 by extending the OASI wage base and tax rates.

Therefore, our organization strongly opposes the interrelated provisions of H. R. 9366 which unnecessarily increase maximum benefits, extend the tax base, and increase the tax rates.

Senator MARTIN. We are very sorry that he cannot be present. I know that he would be able to give us a lot of information. We appreciate it and his statement will be in the record.

Mr. EMMONS. I will call him and thank him very much.

Senator BYRD. Mr. Chairman, I want to express my regret that Mr. Emery is not here. I will read his testimony.

Senator MARTIN. Yes. I have always apreciated very much the things that he has done. He represents, to my mind, the great strength of our economy which is the small-business concerns of this Nation.

Thank you very much.

The next witness is Mr. John W. Joanis, Council of State Chambers of Commerce.

STATEMENT OF JOHN W. JOANIS, COUNCIL OF STATE CHAMBERS OF COMMERCE

Mr. JOANIS. My name is John W. Joanis. I am secretary and general counsel of the Hardware Mutual Casualty Co., Stevens Point, Wis. I am a member of the social-security committee of the Council of State Chambers of Commerce and appear as the spokesman of the State Chambers of Commerce of 23 States. In the interest of brevity, I have appended a list of these State chambers, and a few items of social-security data which I should like to have included in the record. The printed record of our statement before the House Ways and Means Committee includes a description of the council and the council's social-security committee.

I would also like to follow the same procedure Mr. Marshall did of just summarizing my material.

Senator MARTIN. We will place your entire statement in the record.

Mr. JOANIS. Basically I agree with Mr. Marshall's position. I say that in view of all the questions that went on. We feel that the basic purpose of OASI justifies four of these changes that are proposed in H. R. 9366.

The first one is that of extending coverage. The second is of making the retirement test more equitable, and the third is that of increasing the minimum benefits, including the proposed sharp increase in minimum benefits for the aged widows and other sole survivors. We also agree with improving the benefit levels through the approach of the 5-year, dropout provision. We think that these proposals follow generally the basic idea of providing a minimum layer of protection for the aged of our country and doing it at the minimum cost to the general public. We feel that whenever you consider an increase in the social-security program, you have to remember that we are taxing actually the future generations, the future old-age generations for benefits we are paying today, and that should be kept in mind as you increase the benefits.

That is the result of the fact that today we are actually paying benefits to people who have not really paid their own way. While I am not authorized to speak for the State chambers of commerce at this time on taking into the program the unprotected aged, I do go along with the idea of immediately maturing the program. Although it may be considered a new concept, actually, it is merely an extension. It is getting over this small hump of saying some people have paid a little bit and are therefore entitled to the minimum benefits.

Senator BYRD. How do you justify taking the money out of this trust fund, which is where it would have to come from, in order to pay it to people who have never paid a single payment to the social security in any manner?

Is that fair to these millions of workers who have paid their money in to give it to other people who have not paid a cent?

Mr. JOANIS. The thing I think makes it fair—well, let us say it is almost as fair as paying a benefit to a person who has paid $6.

Senator BYRD. You cited that as a case. I don't know how it would apply, but there would be very few of those.

I agree with you that the 18 months is too short a time, but that was done. But that changes the whole picture very little. If you once start to take payments out of this fund and give it to those above 65 who were not covered and didn't contribute 1 cent to it, you are then getting into a situation whereby you are using money for one purpose when it was paid into the Federal Treasury for another purpose.

In my judgment it would compel the Federal Government to make a direct appropriation for that amount of about two or more billion dollars a year.

Mr. JOANIS. I think the money was paid into the Federal Treasury as a tax to provide for a benefit to the elderly people in this country to keep them out of the poorhouse as stated in the case where the Supreme Court declared the Social Security Act constitutional.

That being the case, the tax and the benefits paid are separate and the tax has been paid in for the welfare of the elderly people, and it would be used for that purpose under the plan that was proposed.

You are taking the tax, which is a separate item from the benefits payable, and paying it——

Senator BYRD. The tax is paid for the specific purpose. It is segregated fund. It does not go into the General Treasury.

Mr. JOANIS. The tax doesn't guarantee a payment to the person who pays it. He gets no rights as a result of paying——

Senator BYRD. The law guarantees it to be paid out of the tax these people paid.

Mr. JOANIS. The law provides for a tax in one portion of the bill. Then it also provides for benefits, and you get benefits by qualifying with work quarters, not by tax paid. You are not entitled to a benefit because you have paid a tax. There are people who pay tax and get no benefits.

Senator BYRD. Now, wait a minute. They pay no tax and get no benefit?

Mr. JOANIS. They pay tax and get no benefit.

Senator BYRD. Nobody gets benefit without paying a tax, do they?

Mr. JOANIS. There may be some unusual cases, but there are some who pay no tax and get great benefits.

Senator BYRD. You are trying to take everybody over 65 regardless of need and give them a monthly payment of $30. Is that right?

Mr. JOANIS. That is right.

Senator BYRD. And those people have had no opportunity to pay in it because they are not in the covered occupations. You are taking it out of money that other people did pay with the theory that sooner or later they would get at least part of it back or all of it back or more than all of it, in some cases.

I realize you can't make it equal for every person who pays in. That would be impossible to do that. And it would diminish the fund. For 8 million people at $30, that is $2.5 billion a year. You would soon use up this fund, and what would you do then?

Mr. JOANIS. The fund wouldn't actually be used up if you include these people. All we are trying to say is that each time the social-security bill comes up for amendment we include more people for benefits.

Senator BYRD. But they pay before they get the benefits.

Mr. JOANIS. They pay a small amount of tax before they get the benefits.

Senator BYRD. We are taking in 21-year-old farmers now. They will pay that tax for 44 years before they get anything out of it.

Mr. JOANIS. Most all of the young people today pay taxes, and the system will just about balance out if you mature it today.

Senator BYRD. You have a balance in the system today of a billion and a half. That will not continue too long under the present law. Now you propose to take $2.5 billion more out and give it to people who have never paid a cent.

Therefore, you will stop having a surplus and you will soon be drawing other funds.

Has your organization given consideration to the fact that that would be a good argument for a direct appropriation out of the Federal Treasury?

Mr. JOANIS. We have given very thorough consideration to it.

Senator BYRD. Would you favor a direct appropriation to pay for this money?

Mr. JOANIS. I wouldn't oppose it. I don't think it is necessary.

Senator BYRD. Would the chamber of commerce be willing to pay the increased taxes necessary?

Mr. JOANIS. Although I am not authorized to say specifically, because I don't have a specific statement on that, I would say yes.

Senator BYRD. In other words, you are willing to go on record for that and that would be more than this 5-percent expiration of taxes. That brings in a billion there. You would have to have a 7- or 8-percent increase in the income taxes of the corporations in order to pay this, and you are willing to state on behalf of all the chambers of commerce that you favor that?

Mr. JOANIS. I can say only this much, Senator, that I would go on record as saying that the majority of the State chambers of commerce for whom I speak would favor a system which would mature the social-security program as of now.

Senator BYRD. Don't let's talk in generalities. I don't want to be too insistent about this.

Mr. JOANIS. That is the only statement I am authorized to make, sir.

Senator BYRD. That statement means taking in everybody who is living above 65 who has not paid contributions and paying them $30 a month.

Mr. JOANIS. Yes, if they are unprotected aged at the moment. It wouldn't take care of those who are in hospitals and insane asylums.

Senator BYRD. Well, practically everybody, that is what you mean?

Mr. JOANIS. Yes, sir.

Senator BYRD. And you think these chambers of commerce are willing to pay the extra taxes if they are called upon to do it to make good that program of two or three billion dollars? You think they would raise no protest?

Mr. JOANIS. That would be my thought, sir.

Senator BYRD. Don't you think you had better have a referendum on that proposition?

Mr. JOANIS. The United States Chamber of Commerce had the referendum. That had to be considered.

Senator BYRD. They thought they were going to get it out of this fund. I will bet they didn't think they were going to pay any extra taxes on it.

Senator MARTIN. What taxes would you suggest imposing? We have just gotten through the biggest revision of the tax laws in the United States in 50 years. What tax would you impose to take care of this?

Mr. JOANIS. My thought was, Senator, that the money that I am proposing spending to take these in would actually come out of the present moneys paid just as we have paid people in the past who have paid practically nothing for their benefits.

Senator MARTIN. You are taking that out of this accumulation of $18 billion or $19 billion. That will be gone in about 6 years. Then what tax would you impose to do this job? It is a practical matter. It is a beautiful theory, but let's get down to cases, because this Finance Committee is the group that has to find the money. What would you suggest?

Mr. JOANIS. That is exactly why I am making this proposal. I think we have to get down to the facts that eventually when this

system is actually matured, even though it takes a long period of years to do it, 15 or 20 years, we will be paying the same amount of money as if we mature it today.

I think it ought to be matured so we can look at the benefits as we increase them today. That is exactly what I have in mind. We will not have to pay any more taxes in 20 years as a result of immediately maturing the program than we will if we just let the thing go on as it is developing today.

Eventually you mature the program and everybody has an opportunity to come in and get wage credits. We are spending a great deal of money by increasing benefits at the present time, and I think we ought to look at the total picture and the number of dollars we will actually be spending in 15 or 20 years when the people who are coming in under it now and getting very few quarters of credit are getting coverage.

Senator MARTIN. I agree with you fully that we ought to have a complete understanding of what we are going into.

Some of the figures that we had the other day are so fantastic, building up as we are now, that you just wonder what the result will be.

On the other hand, when you are contemplating something that is going to eat into this accumulated fund at the rate of about $3 billion a year, that means the fund is gone in 6 years, and what are we going to do to take care of it.

Mr. JOANIS. Actually, Senator, what you do when you mature this plan is also bring in other taxpayers and increase the amount of taxes you receive. You are proposing that now, extending the tax.

So the fund will actually be made to balance itself.

Senator MARTIN. That is what I am for. I am for balancing this thing every year.

Mr. JOANIS. That is right, and the tax should bring in that amount.

Senator MARTIN. No family is in trouble if it pays its bills at the end of the year. Government is the same. But governments cannot continually go into the red and be solvent. A government is just like an individual.

Mr. JOANIS. That is correct.

Senator BYRD. These new people who are coming in are going to get the benefits themselves in time. They are paying to take care of themselves, not to take care of 8 million new people. When you talk about new money coming in, that is going to be taken care of and more too, probably, by the benefits that will be paid to these particular people that we are now covering.

Isn't it true that when the chamber of commerce sent this referendum out that they proposed to take this money out of the trust fund?

Mr. JOANIS. Yes, sir. That is what I said here.

Senator BYRD. That is probably why they voted for it. Had they known they would have to pay additional taxes, as I feel certain they would do so, would they have voted for it then?

Mr. JOANIS. I can't say.

Senator BYRD. Hadn't you better have another referendum?

When the people signing this referendum thought they would have nothing to pay on it, that is entirely different from the thought they would have to pay something toward it.

Mr. JOANIS. I see the difference of opinion. You are saying that it has to come out of general funds because there have been absolutely no dollars paid in.

Senator BYRD. I say if you add two or three billion dollars to this, it is absolutely impossible not to take it out of the trust fund because you are only putting in a billion and a half surplus in the trust fund now, and we haven't got the full impact of this by any means. A lot of people are coming of age 65 every year. You have got to take it out of the trust fund. I think that would be dishonest.

Mr. JOANIS. It is just a matter of deciding whether or not you want to mature the plan now so that you know how many dollars it costs you every year, so you start this balancing operation we are talking about.

Senator BYRD. These particular people in need now get old-age assistance. You propose to give it to everybody?

Mr. JOANIS. And to drop out the old-age assistance.

Senator BYRD. You would only drop it out on the part of the Federal Government. It would still be continued by the localities.

Mr. JOANIS. If the localities feel there should be assistance, then they should give it.

Senator BYRD. With all due respect, it seems to me this would ruin the social security and put a terrible burden on the Government.

These people over 65 who are in need have to be taken care of. I am not arguing against that. But you don't propose that. You propose to give it to everybody—Senator Martin, Senator Millikin, and myself. I don't think we need $30.

Mr. JOANIS. Actually, that is a very small part of the proposal.

The main thing I think happens when you mature the system is, one, you put the Federal Government in a position to get out of old-age assistance, and, two, you get your benefits at the level you are going to be continuing to pay for some period of time; and, therefore, you can start paying the correct amount of tax.

Senator BYRD. You are jumping from the frying pan into the fire.

We are putting it up in another fashion in a much larger degree because we are giving to everybody whether they need it or not. We now spend $900 million for old-age asistance. We would have to pay the whole business.

You are not going to get by with taking this out of the trust fund. The people who have paid into this trust fund are not going to stand for it. They will require a separate and distinct Federal appropriation and it will be very much more than we now contribute to that particular fund.

Mr. JOANIS. There was no great public cry when the new-start formula was put into operation in 1950, when all of these people came in on six quarters of coverage.

Senator BYRD. I was opposed to that, and I did what I could against it, but it was adopted.

I think 18 months is too short a time. That wouldn't justify taking in people who have never paid a cent and people who don't need it.

Mr. JOANIS. All we would be doing would be extending that principle in order to get it over with rather than to have it come along every year.

Senator BYRD. Instead of two or three billion dollars. When you do anything as bad as that, I think you will be in trouble.

Mr. JOANIS. I don't know what the cost of the new start was, but it would be interesting to have the figures in the record.

Senator BYRD. Mr. Chairman, we will get those figures, and have them put in the record.

(The actuarial cost estimate subsequently submitted follows:)

JULY 9, 1954.

MEMORANDUM

From: Robert J. Myers, Chief Actuary, Social Security Administration, Department of Health, Education, and Welfare.

Subject: Actuarial cost estimates for chamber of commerce plan and for those who became eligible because of "new start" insured status provisions in 1950.

This memorandum will present estimates as to total future benefit payments that would be made in respect to the estimated 4.8 million persons now aged 65 and over who would receive the flat payments of $30 a month under the proposed chamber of commerce plan. In addition, estimates will be presented as to the total future benefit payments that will be made under the old-age and survivors insurance system in respect to individuals and their wives added to the benefit rolls in 1950–51 under the "new start" insured status provisions of the 1950 amendments.

First, considering the chamber of commerce plan, it is estimated that there would be 4.8 million persons now aged 65 and over who would receive $360 annually, apiece. Based on the estimated age distribution of this group, which is relatively advanced in age, the total payments to them in all future years would amount to about $12 billion. The total payments that would be made in the first full year of operation would amount to about $1.66 billion or, in other words, to about $1⅝ billion (after allowing for some of the individuals dying during such first year of operation).

Next, turning to the group of individuals who became eligible for old-age and survivors insurance benefits as a result of the "new start" insured status provisions in the 1950 amendments, it will be noted that these individuals were those who could not meet the more stringent requirements of the 1939 act. In 1950–51, a total of about 600,000 persons received old-age benefit awards as retired workers who could not meet the qualifying conditions of the 1939 act. These individuals had 100,000 wives who were also awarded benefits. The total benefit payments, at the amounts specified in the 1950 act, that will be made in the future in respect to these individuals is estimated at about $2¼ billion. The benefit disbursements in respect to the first full year of operation amounted to about $200 million.

It will be noted that the estimate for total benefit disbursements because of the "new start" insured status provisions was based on the presumption that the benefit rates specified in the 1950 act would remain unchanged in the future. Actually, benefit amounts for this group were increased by an average of about $5 by the 1952 amendments, while H. R. 9366 would provide a further similar increase. Considering only the effect of the increases in the 1952 amendments, the total benefit payments which have already been made and which will be made in the future to this group amount to somewhat more than $2½ billion. Further, if the effect of H. R. 9366 is considered, this figure would be increased to about $2¾ billion.

Senator MARTIN. All right.

Mr. JOANIS. I would like to comment on some other portions.

We do not think the basic purpose of the act justifies some of them. I don't think increased maximum benefits are justified at this particular time. Based on the history of the act, the various means that we have used to increase benefits in the past, if you will look at that, we have no justification for increased maximum benefits. I am not talking, as I said before, about increased minimum benefits, with which we agree; I am talking of the maximum benefits. I think that Congress and the Senate Finance Committee should spend

some time devising the principle on which we are going to make increases in the future.

As it is, we find a new justification for increased benefits each time the act comes up for amendment. Actually, what we should do, I think, is to settle on some fundamental principle that determines the amount of the maximum benefit, and then stick with that, because if we don't we just continually jockey ourselves along this road of increased benefits.

At the moment you tie in the increase to the $4,200 tax base, when actually there is no relationship between the tax base and the benefits payable. There shouldn't necessarily be. Along with that, increase the benefit of those already in the $3,600 class. It is used as a lever to pull the thing along.

I think, due to the social pressures that are necessarily brought on a program like this, the Congress has to devise a principle whereby they determine the amount of the benefit on some more fundamental basis than just the opportune lever that some group or facts feels will work that particular year. That will require a great deal of study and a great deal of thought and a long-range projection of the purpose of the plan. I think it would be more correct if we had the plan matured at the moment so you knew exactly where you were going. You could then determine the amount of benefits and the taxes people were willing to pay.

Until we reach that, it is going to be pretty hard to determine where these benefits should be leveled off.

The next point that we think should be given a great deal of thought is this increase to $4,200. The increase went from $3,000 to $3,600, and now to $4,200. Again, saying that we want to cover the same proportion of the population; first, I don't know that the facts are correct that it covers the same proportion of the population. I think it covers more than the past proportion they refer to. Secondly, eventually the Congress has to decide where this cutoff point is. You get up to $4,200 and $6,000 and $10,000 somewhere. I don't know where the point is, but somewhere you reach the point where you are getting into the area of affecting private enterprise. Somewhere along this line the people should be encouraged to save and build their own plan and get on their own feet rather than to keep increasing the tax base and giving the people the feeling that they have bought some kind of retirement right, and that, therefore they don't have to take care of themselves, that they are going to be taken care of.

That will be particularly true if we go on to $4,200 and the next pressure will be $6,000, and no one knows where it will be. It has gone up very rapidly in just the last 2 years. I think that very serious consideration should be given before the $4,200 increase is put into effect on the tax base.

The next point I want to mention briefly is that we are opposed to the proposed extension of the public assistance grant formula only because we think that the Congress should face the facts that eventually they will have a mature program and they should start getting out of the old-age assistance program, leaving that to the States.

My last item is that of the disability dropout. I think, as was stated by Mr. Marshall, that if you put in the 5 year dropout, you, for all

practical purposes, avoid the need for the disability dropout. Those are my points and complete my statement.

Senator MARTIN. Any questions, Senator?

The CHAIRMAN. No.

Senator MARTIN. Senator Byrd, do you have any questions?

Senator BYRD. No questions.

Senator MARTIN. Senator Long?

Thank you very much.

(The statement referred to follows:)

The State and regional chamber of commerce organizations for which Mr. Joanis is testifying include:

Alabama State Chamber of Commerce
Arkansas Economic Council-State Chamber of Commerce
Colorado State Chamber of Commerce
Connecticut Chamber of Commerce
Delaware State Chamber of Commerce
Florida State Chamber of Commerce
Georgia State Chamber of Commerce
Illinois State Chamber of Commerce
Indiana State Chamber of Commerce
Kansas State Chamber of Commerce
Maine State Chamber of Commerce
Mississippi Economic Council
Missouri State Chamber of Commerce
Montana Chamber of Commerce
New Jersey State Chamber of Commerce
Empire State Chamber of Commerce (New York)
Ohio Chamber of Commerce
State of Oklahoma Chamber of Commerce
Pennsylvania State Chamber of Commerce
East Texas Chamber of Commerce
South Texas Chamber of Commerce
West Texas Chamber of Commerce
Lower Rio Grande Valley Chamber of Commerce
Virginia State Chamber of Commerce
West Virginia State Chamber of Commerce
Wisconsin State Chamber of Commerce

STATEMENT OF JOHN W. JOANIS, STEVENS POINT, WIS., ON BEHALF OF 26 MEMBER STATE CHAMBERS OF COMMERCE OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE

Mr. Chairman and members of the Senate Finance Committee, my name is John W. Joanis. I am secretary and general counsel of the Hardware Mutual Casualty Co., Stevens Point, Wis. I am a member of the social-security committee of the Council of State Chambers of Commerce and appear as the spokesman of the State chambers of commerce of 23 States. In the interest of brevity I have appended a list of these State chambers, and a few items of social-security data which I should like to have included in the record. The printed record of our statement before the House Ways and Means Committee includes a description of the council and the council's social-security committee.

Social security's increasing impact on the individual and on our philosophy and economy makes its proposed revision the most important domestic legislation before Congress. Also, OASI's complexities, its inherent limitations, the popular misconceptions of its nature and its fiscal consequences, and the popularity of superficially attractive amendments, make its sound revision a most difficult undertaking.

Social security in Puerto Rico is illustrative of benevolently intended but casually adopted amendments. OASI was extended to an economy there in which monthly old-age-assistance benefits averaged under $8 and aid to dependent children benefits $3. OASI statistics, recently released for the first quarter of 1951, shows that some 6 percent of Puerto Rico's population was covered under OASI and their average monthly wages were around $70. Those employed on farms averaged around $50.

Earnings of $70 a month typify odd-job employment of retired people in the United States, but regular employment in Puerto Rico. Nevertheless, OASI benefits are paid regularly employed persons earning $70 a month in Puerto Rico. Because of OASI's purpose, Congress fixed $56 per month as appropirate in our economy for an old couple with the nonrepresentative low qualifying wage of $70. But applied to an old couple in Puerto Rico, this formula typically means that their benefits are 80 percent of prior full-time wages. If the husband continues working regularly, OASI increases the normal family income 80 percent.

Recognizing that sound objective yardsticks, thoughtfully applied, rather than the mere desires of our group or any other group, must be the basis of social-security revision in keeping with this committee's grave responsibility, our statement deals with social-security fundamentals. Otherwise our statement or, for that matter, any other group's statement, would be little more than an expression or rationalization of changes the group feels would serve its interests.

The fundamental guide to sound and defensible social security is the consistency of its provisions and results with its public purpose. Except for its public purpose, OASI would be an indefensible device for the redistribution of income through an unconstitutional exercise of the taxing and spending power. Equally indefensible would be any benefit levels beyond those justified by its public purpose. Both OASI's inadequacies and overadequacies must be measured by the basic yardstick of its public purpose. This public program and proposed revisions must be assessed in the broad context of the public interest, including the effects of its benefits and prospective benefits and of its direct and indirect tax burdens on individuals, families, and the economy, and its compatibility with our principles and free-enterprise philosophy.

In 1935 this committee recommended, and Congress established, OASI to minimize the public assistance otherwise necessary in meeting the public problem of destitution in old age. The Supreme Court upheld OASI's constitutionality solely because it had this purpose. It held that destitution of the aged was national in scope, and that Federal old-age benefits were thus warranted under the general welfare clause. The Court did not use subsequently popularized OASI terminology but called its benefits pensions, and its taxes excise taxes and income taxes.

Even if you could so revise OASI as to make each person's OASI taxes exactly meet the cost of his protection, you would have no constitutional basis for fixing his benefits above the levels indicated by the Court when it said:

"The hope behind this statute is to save men and women from the rigors of the poorhouse, as well as from the haunting fear that such a lot awaits them when journey's end is near."

OASI's public purpose not only limits OASI but also affords the basis for fixing its present benefits in such amounts that there is not even a rough relation between the cost of an individual's protection and the amount of his OASI taxes. Such a relationship would mean benefits for present aged recipients in pennies rather than dollars. As it actually is, OASI benefit levels are such that benefits of past and present recipients will cost several billion dollars more than the total of social-security taxes paid by everybody to date, plus accrued interest. These billions, plus a large portion of benefit costs for all who retire in the next few decades, and even after that, and much of the benefit costs of small-income and large-family groups, must fall on other OASI taxpayers. Conversely, as OASI taxes increase, an ever-increasing percentage of OASI taxpayers will have larger taxes than the premium cost of their own protection. As future OASI taxpayers, today's children are vitally concerned with your action on benefit levels. They will not enjoy today's OASI bargains.

H. R. 9366 would increase the maximum primary benefit to $108.50.

Congress never came to grips fully with determining the maximum benefits justified by OASI's purpose until the 1950 amendments. Before 1950, benefits increased with years of coverage, and the primary benefit of $58, paid individuals with 45 years of maximum coverage, was the amount which their taxes would purchase. This is shown in the annuity table under the heading "Individual Equity Preserved" in the House report on the 1939 amendments. Congress decided that benefits initially payable should be about 70 percent of the $58, and should increase with years of coverage up to this level, and accordingly adopted the formula for the highest primary benefit of $40 per month plus 40 cents per year of coverage.

This individual equity approach in framing the maximum adopted in 1939 was scrapped in 1950, when nonincreasing benefit levels were provided. I have described the 1939 approach in fixing maximum benefits only because of the

ingenious argument, currently advanced, in support of the currently proposed $108.50 maximum. This argument is that if the 1939 formula had been retained, persons retiring today would receive a maximum of $47.20, and if this $47.20 were increased in proportion to the cost of living increases since 1939 it would exceed $90, and if increased in proportion to wage increases it would be $110. A counterargument would be that the 40 cents per year of coverage increase was to provide individual equity, and if benefits are to be increased on the basis of post-1939 living costs and wage increases, these should be applied to the basic $40. The present benefits so increased would be around $76 if based on living costs, and $94 if based on wages. The $85 average of the two is exactly the present maximum.

Obviously, neither of these arguments is based on OASI fundamentals.

As evidenced by your report, your 1950 revision scrapping increases for years of coverage was based on OASI's fundamental purpose, inasmuch as an individual's needed retirement benefits do not vary with the number of years of his OASI coverage. Your report stated that the "impelling concern * * * has been to take immediate, effective steps to cut down the need for further expansion of public assistance, particularly old-age assistance." With this fundamental purpose in mind in fixing maximum and other benefits, you gave full consideration to the economic changes since 1939. Your committee decided, and the Senate adopted, a $72 maximum primary benefit as appropriate. This amount was the same as the House bill maximum for persons with 5 years coverage. Subsequent conference action resulted in an $80 maximum primary. This was somewhat higher than the amount recommended by your advisory committee, which had representatives of employees, employers, and the public.

You reviewed the economic situation again in July 1952 and increased primary benefits between $5 and $8.60, and other benefits proportionately. Your report states that your action was predicated on "the rapid rise in wages and prices" incident to the outbreak of hostilities in Korea. This rise was reflected by the BLS Consumer Price Index which rose from 104 when the 1950 amendments were adopted to 114 when the 1952 amendments were adopted. Thus benefit increases in the 1952 amendments compensated for the price increases. But today the price index is approximately the same as it was at the time of the 1952 amendments. Thus, unless your prior decisions and the Advisory Council's recommendations as to maximum benefits justified by OASI's purpose were seriously in error, you lack any reason based on OASI's purpose for adopting the proposal for increasing the present $85 to $108.50.

Are there valid arguments based on OASI's purpose which would justify the proposed increase? Can the proposition be supported that younger OASI participants should be further burdened to pay an extra $13.50 per month to a person who retires a couple of years from now and who otherwise would receive $85, or an extra $21.80 above the $127.50 an old couple would receive?

Can this increase be justified as necessary, quoting the Secretary of Health, Education and Welfare, "for old-age and survivors insurance to fulfill its purpose of providing basic retirement and survivorship protection and reducing the need for public assistance to the lowest possible level"?

Were your advisory committee and you and the Congress so remiss in giving living standards such consideration as OASI's purpose warrants, that now an adjustment from $85 to $108.50 is warranted on the Secretary's theory that "a readjustment in benefits to take into account the improved living standard of the American worker is necessary"?

Our position is that this proposed increase is not so justified.

What of the arguments interrelating the proposed benefit increase to $108.50 and the proposed increase in the taxable wage base to $4,200?

One argument is, and again I quote, "Earnings levels have continued to rise since 1950 when the $3,600 wage base was established. As a result, more and more workers have only part of their earnings credited. The benefits they receive * * * represent a smaller proportion of the actual earnings loss than was contemplated at the time the wage base was set at $3,600."

Further arguments are that "the proportion of covered payroll which was contemplated as the tax base for the support of OASI is not serving this purpose," and "a substantial proportion of beneficiaries tend to get the same benefit, because their earnings exceed the maximum."

The House report states that "raising the wage base to $4,200 would restore approximately the same relationship between general earnings and the maximum wage base that existed in 1951."

These arguments are not based on OASI's fundamental purpose, but, instead, are directed to incidental statistical relationships existing at one time or another between benefit levels, wave legels, and persons receiving maximum taxable wages. As I have noted, benefit levels have been adjusted to cost-of-living increases, and this type of adjustment, made in 1950 and 1952, was appropriate in view of OASI's basic purpose. The arguments are, in effect, that these incidental relationships of some particular period are in some way fundamental and must be preserved. A particular date is necessarily selected for purposes of the argument as these statistical relationships have constantly varied.

The maximum benefit payable in 1940 was about 16⅔ percent of the maximum taxable wage, and recipients of such benefits were a very small percentage of the beneficiaries. Primary benefits for a person whose average wage was one-fifth of the maximum taxable wage were about 8⅓ percent of the maximum taxable wage and 41⅛ percent of such person's average wage. Currently the maximum benefit happens to be 28.3 percent of the maximum taxable average wage since 1950, and such recipients are a much larger percentage of currently retiring beneficiaries than was the case of those retiring in 1940.

Currently the benefits of persons with one-fifth of the maximum wage are 11 percent of the maximum taxable wage and 55 percent of their average wage. I mention these statistics as illustrative of the fact that statistics are not fundamental considerations, but mere byproducts of different decisions you have made under different economic situations as to currently appropriate maximum OASI benefits and appropriate benefits based on small average wages, and as to the wage level which justifies eligibility for the maximum benefits and subjects the individual to the maximum tax.

There is no more reason to "restore approximately the same relationship between general earnings and the maximum wage base in 1951" than there is for any other year. In 1950 you rejected this same argument for restoration of the 1939 wage base. You and the Congress took a more liberal view than did your Advisory Council as to who should qualify for the maximum primary benefit, which you both agreed should be around $80. Their proposal would have paid $78.75 to the $350-per-month man and $71.25 to the $300-per-month man. You decided that the purpose of the act justified them both $80, and accordingly established a $3,600 wage base. In doing so you apparently committed a statistical sin in increasing the percentage who presently qualify for maximum benefits, and in collecting a smaller percentage of the payroll than would have been the case if you had adopted a $4,200 wage base or if many people's wages had not risen. The fact that you increased benefits in 1952 and the fact that more OASI taxes than estimated are coming in, seem to be overlooked in present arguments.

Our position is that in basing your actions on OASI's fundamental purpose rather than on statistical arguments, your action has been, and we believe will be, fundamentally sound.

We have not observed any weakening of OASI as a result of any increase in the percentage of recipients receiving maximum benefits.

OASI's basic purpose warrants the position that less than maximum OASI protection is given some only because, as measured by their prior wages, OASI's maximum benefits would be inappropriately high. We question the basic justification of any current maximum which would be too high for individuals earning $3,600 per year.

It cannot be overlooked that all current retirement benefits are largely at other OASI taxpayers' expense, and that the burden of maximum benefits is heaviest of all. Only reasons fundamental to OASI's purpose should be used to justify increasing this burden.

Due to the limits of time, I shall make no comments on the prospective extra costs of H. R. 9366 or the necessary extra tax burdens its enactment would impose. Its scheduled $252 per year OASI taxes for reasonably successful self-employed persons a couple of decades from now—over 8 times the maximum annual tax for any year before 1950—speaks for itself.

I should like, however, in passing, to direct your attention to 1959. Table 5, page 30, of the House report, gives 1960, the year of the next OASI tax stepup. It does not give the preceding year. We understand that the estimate for 1959 would be between $6.4 and $6.5 billion revenue. Table 5 has the warning: "NOTE.—All estimates are based on high employment assumptions." But even with these assumptions, we understand that estimated expenditures are between $6.4 and $7.4 billion—pay as you go at best, but probably far less than pay as you go. We hope your committee will obtain full estimates like those of ac-

tuarial study No. 36 of existing law, which includes estimates of costs if we experience somewhat less than full employment.

Summarizing our position on several proposals—we feel that OASI's basic purpose justifies the proposals of H. R. 9366 for (1) extending coverage, (2) making the retirement test more equitable, (3) increasing minimum benefits, including the proposed sharp increase in minimum benefits of aged widows and other sole survivors, and (4) improving benefit levels through the approach of the "dropout." We oppose the proposed extension of the present temporary public-assistance grant formula.

Before concluding this statement, I shall touch briefly on the proposed medically determined dropout, in view of its serious implications and our belief that its objective of preserving benefit levels can be otherwise substantially achieved.

The basic reason for the proposed 4-year, 5-year, and disability dropouts is to escape or minimize the results of the present "average wage" formula used in determining benefit levels. We can dismiss at the outset any arguments that the disability dropout is necessary to preserve eligibility. Any individual who meets the "20 quarters of coverage" requirement has no eligibility problem and will have none for many years to come.

As this committee knows, the present average wage formula was designed to reduce benefits in the case of individuals with substantial absences from OASI coverage. The device was adopted when OASI was amended in 1939 to pay relatively high benefits, and at the same time deal with persons who spent much of their working lives in exempt work. It operates to pay smaller benefits to such persons than are paid persons with the same wage but regular coverage. In 1950 you provided an optional 14-year dropout—all years from the date OASI became effective through 1950, so the dropout principle is no innovation.

H. R. 9366 extends coverage to what the accompanying House report terms "substantially universal coverage." It seems probable that all gainful work will soon be covered directly by OASI or some integrated system. This will mean a reexamination of the present "average wage" approach—we may decide, for example, to base benefits on average wage while covered. Such a change would render the proposed disability drop out meaningless for benefit purposes.

In any event, if the 5-year drop out privilege were adopted and extended to everyone with 5 years OASI coverage, there would be relatively few situations where the proposed "disability drop out" would prove of any substantial advantage. In general, these would be cases where disability is substantially beyond 5 years prior to attainment of age 65 or prior to death at a younger age.

If we assume a disability of 7 years' duration after 5 years coverage, at an average monthly wage of $130, the 7 years' absence would reduce the primary benefit from $59.50 payable on average wages of $130 under present law to $29.80. But with a 5-year drop out the benefit would be $51.20. Thus if the 5-year drop out is adopted, the significance of the disability drop out would be greatly reduced, even in the relatively few cases where disability exists longer than 5 years before attainment of age 65 or earlier death.

The proposed disability drop out would be capricious in its operation—disability preceded by 3¾ years of coverage or less may not be excluded, no matter how extended, nor may any past disability from which persons have died or recovered. But disability of less than a year's total duration is to be dropped out, even though of very minor consequences to the individual's wage record.

These provisions, along with the medical examination and appeal provisions, clearly point to its origins—it was ancillary to provisions for determination and payment of disability benefits.

Exposing the countless hypochondriacs among 75 million OASI taxpayers, including millions leaving the labor market annually, to free medical examinations, makes it difficult to estimate the resulting medical and administrative expenses.

We hope and believe that this committee, in the short period which the press of circumstances permits it to devote to OASI, will limit its action to changes clearly warranted by OASI's fundamental purpose, leaving other proposals for extended study.

APPENDIX

EFFECTS OF THE PROPOSED BENEFIT SCHEDULE AND TAX SCHEDULE

The principle that "benefits should reflect differences in earnings" is subject to important overriding features of OASI which are fundamental because based on OASI's purpose of minimizing need for public assistance: (1) Benefits vary with the number and relationship of eligible dependents, as well as with earnings, and (2) both ceilings and floors are set on benefits. The wage base provision is one of the ceiling provisions.

Under present floor provisions, whether earings have averaged $10, $25, or $45, the minimum $25 is presently payable. H. R. 9366 proposes a $30 minimum. If adopted, benefits will no longer reflect the difference between $45 and $54 in wages.

Under the present family ceiling provisions benefits otherwise higher because of a combination of high wages and several dependents are limited. H. R. 9366 fixes the ceiling at $200. As a result of the ceiling, $200 would be payable in cases involving several dependents whether the individual's taxed wages have been $210 per month or $350 per month. The proposed $4,200 wage base would not affect these benefits.

As has been illustrated above, the "principle of varying benefits with earnings" is only one of several OASI "principles." It is subordinated to some features predicated on OASI's basic purpose. In determining whether the present $3,600 limit on earnings counted for OASI purposes should be increased, we should be influenced not only by the "principle of varying benefits with earnings," but, more importantly, by the results of the change on (1) eligibility for OASI's maximum benefits, (2) OASI financing, and (3) individual equities.

In framing social-security benefits three considerations have been principally mentioned:

(1) That the system be entirely financed from the social-security taxes;

(2) That benefits for individuals with relatively low wages or short-time coverage be high as compared with benefits of high wage earners covered a lifetime; and

(3) That maximum benefits of high wage earners covered a lifetime be such as to approximate what their own taxes would purchase as a premium.

Manifestly, if considerations (1) and (3) are to be entirely achieved, there is a very strict limit on the benefits possible under (2). If number (3) is abandoned, the leeway in setting benefits under (2) is greatly increased, and this is exactly what has actually happened in developing our social-security program.

Under the original act, consistent with principle (3), an individual covered throughout his working life with $250 per month taxed wages was scheduled to receive $85—the present maximum. Roughly, his money, plus interest, would be returned by way of lump-sum payment if he died before receiving this amount in monthly benefits.

Under the 1939 amendments the "money back" provision was scrapped and a small lump sum substituted. The individual was given a primary monthly benefit of $58 after 45 years' coverage.

While the Ways and Means Committee report had a table purporting to show that the $58 was the primary retirement benefit purchasable with the individual's own taxes, the table assumed that the individual would live through to 65. As shown by the Social Security Administration's Actuarial Study No. 34, adjusted for the differences in wage base and maximum benefit, the single man's actual premium for the $58 monthly benefit would have been slightly over 1 percent of his pay, assuming he retires at 68—somewhat under the present average retirement age. The difference between this actual premium and his actual OASI taxes plus all his employer's taxes, was to be utilized in carrying out OASI's social purposes. The actual premium of the individual if he had a wife and three children, and thus maximum OASI protection, was some 2½ percent—substantially less than his own taxes at maximum rates.

The Senate Finance Committee's Advisory Council, composed of representatives of labor, management and the general public, differed as to an appropriate annual wage base and benefit level, but a majority of them voted for a $4,200 wage base, a $78.75 maximum primary benefit and a 3¼ maximum tax rate. This decision was based on the erroneous assumption that by preserving the 22.5 percent relationship between the primary benefits paid an individual with maximum coverage for 40 years and the $3,000 wage, they were in fact giving him his money's worth. Their report stated:

"An objective of the present law is to have workers in the highest wage brackets covered by the system pay the cost of their own benefits over a working lifetime."

What they actually proposed would have repeated the 1939 wage base-benefit relationship, resulting in actual premiums for primary benefits of around 1 percent of the pay of individuals retiring at 67. The excess of the combined employer-employee tax, scheduled to rise to 6½ percent, was estimated as needed to achieve the purposes of the act, by paying dependents' benefits, benefits in the early years at maximum levels, etc., and conform to the policy of keeping the system financed entirely from payroll taxes.

In limiting the payroll tax base to $3,600 and providing, after the 1952 amendments, the present $85 maximum primary benefits, Congress came much nearer than would the advisory council formula of giving the lifetime covered high wage person what his own taxes would purchase. He gets about 50 percent more in protection per tax dollar under present law than he would get had the advisory council recommendations been adopted.

Because of OASI's purpose Congress has provided protection of low average wage and short time covered people, considerably above that recommended by the advisory council. In consequence of these benefit levels the eventual maximum tax rates will very probably exceed substantially those presently scheduled.

In view of what has been done in liberalizing benefits, the arithmetic of the situation makes clear that we cannot hope to both finance OASI wholly from payroll taxes and give the individual covered a lifetime the protection his own taxes would purchase.

Certainly H. R. 9366 does not do so. The individual with maximum coverage would pay higher tax rates on a broader wage base. His tax increases would exceed his benefit increases.

Actuarial Study No. 36 of existing law has four sets of equally plausible assumptions. Under only one of these is the trust fund continued indefinitely. That presently scheduled taxes will not finance the present benefits is admitted in the House report accompanying H. R. 9366.

In achieving objective (1)—keeping OASI wholly financed by OASI taxes—and in further increasing benefit levels, H. R. 9366 proposes both to increase ultimate tax rates and to immediately broaden the tax base. In combination these would mean ultimate maximum taxes on individuals nearly 44 percent above those presently scheduled.

Senator MARTIN. The next witness is Peter G. Dirr, Commerce and Industry Association of New York.

STATEMENT OF PETER G. DIRR, CHAIRMAN, SOCIAL SECURITY COMMITTEE, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. DIRR. Senator, we have presented a statement to the committee which we ask to be incorporated as a part of the record.

Senator MARTIN. It will be made a part of the record.

(The statement referred to follows:)

STATEMENT OF THE COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC., CONCERNING CHANGES IN THE FEDERAL SOCIAL SECURITY SYSTEM, PRESENTED BY PETER G. DIRR, CHAIRMAN, SOCIAL SECURITY COMMITTEE

I. INTRODUCTION

The Commerce and Industry Association of New York, Inc., is a business organization which is composed of approximately 3,500 firms. The membership is a cross section of business with respect to types of industry and size of employment. There are those firms in our membership which are national and international in operation, and those which have their business endeavors limited to New York City and New York State.

The recommendations suggested here are the result of almost a year of study by the association's social security committee, which is responsible for recommending policy to the association's board of directors on matters relating to

social security legislation, unemployment insurance, disability benefits, and workmen's compensation.

II. RECOMMENDATIONS

1. Coverage

The Commerce and Industry Association of New York, Inc., in its previous policy statements on coverage for old-age and survivors insurance has held that "broad extension of coverage * * * represents the soundest kind of liberalization of the * * * program." Upon examination of the facts there appears to be no reason for a change in this policy.

We advocate the extension of coverage to all gainfully employed and self-employed persons as an essential element in a sound social insurance system. To do otherwise leaves wide gaps in the program. Many who contribute to the total national income are presently uncovered, resulting in inequitable treatment of segments of the population. At this time when a major revision of the program is being considered, it behooves the Congress to provide through this law a basic minimum of economic protection.

We do not believe that present old-age-assistance recipients should be blanketed into this program, since in time the almost universal coverage provided in these amendments will tend to resolve the problem. The old-age-assistance program will decline as current recipients die, and there will be no need for adding substantial numbers to the old-age-assistance rolls in the future.

When action is taken this association would advocate that study be given to the integration of the railroad retirement benefits and of Federal civil service pensions with old-age and survivors insurance. The present law (sec. 218 (d)) should be amended to permit integration with OASI of State and local government retirement systems already in effect. Employees in these groups enter and leave employment in the railroad industry, Government service, and industry covered by the OASI Act. Thus these employees should be covered by the basic social security system with the present special systems for them modified so as to produce results comparable to the supplementary benefits provided under private industry pension plans.

We approve the extension of coverage to those groups cited in H. R. 9366. However, special mention is necessary in a few of the areas to be covered.

(*a*) *State and local employment.*—In the President's recommendation the 3,000,000 State and local government employees would be covered by the OASI program in the event that a vote is held among the employees and two-thirds of those voting are in favor of coming under the system. The uniformed policemen and firemen would, however, continue to be excluded from the OASI program.

By requiring a vote of the employees to determine State or local government action in such an area, the responsibility is removed from the jurisdiction of the Government agency. The determination as to whether governmental employees are or are not to be covered is one which should rest with the State legislatures and not be delegated mandatorily to the employees. To require an employee vote is an invasion of local governmental responsibility over activities purely local in character and a subversion of the basic constitutional principle of separation of power between the Federal and State governments.

Furthermore, if all State and local governmental employees are to be permitted to come under the OASI program there is no reason for the policemen and firemen to be excluded. To make an exception of one group will give rise to others and the intent and effectiveness of this protection will be destroyed.

(*b*) *Professional persons.*—It is the view of this association that all professional persons who are self-employed should be covered, as was originally set forth in the bill as introduced in the House of Representatives. We do not favor the exclusion of physicians as provided in the bill passed by the House.

(*c*) *American citizens on foreign registered vessels.*—We have no objections to coverage of these persons provided arrangements can be worked out so that there is no duplicate coverage if the foreign countries under which the ships are registered should decide to extend social-security benefits under their own laws.

(*d*) *Temporary Federal employees.*—We agree that the approximately 35,000 temporary civilian employees employed by the Federal Government from time to time in certain governmental agencies should be covered. We recommend, however, that the coverage be limited to United States citizens in case of such employment outside the United States.

2. Tax base limitation

The association favors retention of the tax base at $3,600 as the maximum amount of wages subject to contribution and used in the computation of bene-

fits. If the system is placed on a pay-as-you-go basis no increase is justified since appropriate increases in benefits could be made through a slight revision in the tax and payments out of the reserve.

The Bureau of Labor Statistics has found that, as of December 1953, average gross weekly earnings of a production worker in manufacturing was $71.78, or approximately $3,700. Thus increasing the tax base to a figure higher than $3,600 would benefit few persons so far as benefit calculation is concerned, but would merely increase the amount of tax revenue collected.

Increasing the tax base would prevent a large segment of the working population from obtaining the maximum benefit amount as is presently the case. The new tax base would reduce the take-home pay of workers and cut consumer income. Increasing at this time the wage base results in a disproportionate increase for those drawing benefits. It would mean that those who, upon retirement, are already better able to take care of themselves by virtue of their higher income, would receive an additional advantage from the social-security system which those who earn less than $4,200 would not.

3. Benefits

In the consideration of the question as to whether or not the present benefit amounts are adequate one must first determine what is the function of the OASI program. We believe that the OASI program was intended to be and should remain a basic means of minimum support for those who retire.

We believe that it is desirable that the OASI minimum monthly benefits amount be increased to $30.

Under the proposed maximum monthly benefit amounts little or no incentive remains for the individual to provide for his own requirements or for employers to establish private plans which give recognition to years of service in their employment.

We do not favor the proposal in the amended House bill extending to 12 months the period in which the claimant can apply for retroactive benefits, as compared with the 6 months in the present law. The extension of this period enables the claimant further to pyramid benefits obtainable under various other social insurance laws. For instance, the claimant can delay filing for OASI benefits up to 12 months and during all or part of that time draw unemployment insurance or other benefits. When he applies for OASI, these benefits would be granted on a retroactive basis without regard to other benefits previously received. Furthermore, it has not been demonstrated nor have statistics been presented to show that claimants have been unduly handicapped by the present 6-month retroactive filing provision.

4. Dropout provisions

It is proposed in the President's recommendation that the 4 years of lowest earnings be excluded in the computation of the average monthly wage for benefit purposes. This proposal is dangerous for two contrary reasons. If one were to consider this strictly on the basis of principle, this recommendation does not go far enough, since those who are already receiving benefits would obtain the full value of such a recommendation only in unusual circumstances. On the other hand, it could well serve as the opening device for raising benefits generally. Another Congress could well raise the drop-out to 10 years or more, with the expectation that benefits would eventually be computed on only the 5 or 10 years of highest earnings.

Already we have an indication of this trend. The Ways and Means Committee, in reporting the bill to the House of Representatives, amended the original measure and this amendment was adopted by the House, increasing the original drop-out provision of 4 years to 5 years in the case of persons with 20 or more quarters of coverage.

We believe that all new participants in the social-security program should have their benefit calculation and entitlement provisions based upon the new start principle.

5. Work test

There is no reason why our society or its productive efforts should be completely robbed of the experience of those who are trained and skilled in their particular lines of endeavor merely because they have reached a certain age. Many who arrive at the retirement age of 65 wish to continue in some form of activity not only for a monetary return but also to avoid complete vicissitude. This is made evident by the fact that the average retirement age today of a claimant receiving OASI benefits is 68½. The present work test, which cuts off

benefits immediately upon a claimant's earning $75 in a month's covered employment has created hardships which should be lessened.

Under the present law the calculation of earnings for a self-employed person is on an annual basis. In the President's proposal the work test would be amended so that the first $1,000 of a beneficiary's annual earnings would be exempted. For each $80 of earnings above the exempted amount 1 month's benefits would be suspended.

This association believes that the work test for employed and self-employed persons under the OASI program should be on a comparable basis for entitlement to benefits. We feel that the work test should be placed on an annual basis if administrative rules can be drafted which will keep fraud to a minimum. We believe in the retention of the present provision permitting a person at age 75 to collect benefits and earn any amount.

6. Disability freeze

The President proposes in his recommendation that a period of disability which has lasted for longer than 6 months and which is expected to be long-continuing should not be taken into account in computing benefit entitlement and amounts. Persons disabled in the past and now collecting benefits would have their benefits recomputed on this freeze formula. Disabled persons applying for a disability freeze must be promptly referred to State rehabilitation agencies for needed rehabilitation service in order to promote their return to gainful employment.

Benefits to persons permanently disabled should be granted to such disabled persons on the basis of need and not of right. The problem of the disabled is a State problem and one in which the Federal Government has no moral or legal responsibility since the situation is one which calls for the dispensing of relief and assistance to the citizens of a State.

We believe that rehabilitation should be encouraged for both occupational and nonoccupational accidents. It should be understood, however, that rehabilitation is a State responsibility. With more attention being given by medical authorities, business firms, labor unions, hospitals, and philanthropic organizations we look forward to an intensified program being inaugurated throughout the country in rehabilitation. Under the provisions of the President's proposals, however, the law does not make it clear as to the required rehabilitation as a basis for a disabled person receiving OASI benefits.

We are firmly convinced that bringing permanent disability under the OSAI program is a bad precedent. This problem should be cared for aside from the OASI program. States and cities take care of those who are now without means to care for themselves. There should be no interference, either direct or indirect, by the Federal Government between the local authority and the recipient of these benefits.

Determination of eligibility for temporary disability benefits or old-age benefits is possible on a fairly objective test. What constitutes permanent disability is another matter and involves subjective considerations both of the claimant and the dispenser of benefits. Because of the subjective character of the claim and the needs arising out of these claims, we believe that this is a program which is best handled as part of the public assistance work now managed by the State and local governments.

7. Financing

We strongly favor a system of financing completely supported by payroll taxes and based on pay as you go. A true pay-as-you-go system makes the taxpayer conscious of actual costs of old-age protection, balancing, on the one hand, what we consider desirable against what can feasibly be paid for. The present law with its tax schedule of graduated increases tends toward the direction of pay as you go. The reserve which has been hertofore established has confused the issue, leading some to believe that this social welfare program is in reality a form of insurance.

Were the system to be placed on pay as you go we favor a 2-year periodic review of the tax needs to provide the benefits for the coming year. Under such a plan it is proposed that each odd-numbered year a committee, composed of the Secretaries of the Treasury, Commerce, Labor, and Health, Education, and Welfare, report to Congress the income requirements necessary to pay for the estimated benefit needs for the suceeding 2 calendar years. If an increase or decrease in tax requirements is called for, the necessary tax rate shall be set by the Congress in accordance with the recommendations of this committee. At no

one time should the overall tax increase upon employees and employers combined be more than one half of 1 percent. If it is found that the benefit costs will exceed the amounts collected through payroll taxes in excess of this one-half of 1 percent maximum a year we recommend that the additional amount be paid out of the reserve.

Upon receipt of the committe's recommendation, Congress shall enact the necessary tax rate for the 2-year period. If during such period Congress increases the benefits under the law or amends the law's provisions in such wise as to seriously affect the committee's benefit estimates, then the committee shall make a revised promulgation of estimated benefits based upon such changes and shall then recommend a new tax rate to the Congress for enactment. Such new rate shall then be effective for the succeeding calendar year or years.

Example: In 1957 the tax rate is set by Congress for the calendar years 1958 and 1959. In the 1958 session of Congress the benefit amounts are increased requiring a total in excess of one-quarter of 1 percent to pay for the benefit increase. The one-quarter of 1 percent increase in tax shall go into effect on January 1, 1959.

With the adoption of our proposal for setting up such a committee there would, of course, be no need for the graduated rates as presently set out in the bill. Thus, the House provision for a top 4 percent rate would not be pertinent. We submit that because of ever-increasing changes in economic conditions no one can accurately predict what the rate should be in 1975.

8. Elimination of quarterly reports

The Commerce and Industry Association strongly urges that the Congress give consideration to the reporting of the OASI program on an annual basis. There is no justification for continuing the quarterly reports.

Quarterly reports complicate the payroll and accounting procedures of every business firm. They add greatly to the operating expenses and they are a complete economic waste. There would seem to be no reason why the social-security records for a current year could not be put on a request reporting basis. As a matter of fact, the records themselves are usually 6 months late in being posted, so that when current wage information is necessary in connection with a survivor's claim for benefits it is very often necessary for the social-security agency to secure current information from the employer. Request reporting has been found practicable in administering the unemployment insurance program in many States. In an industrial State like New York and in many other States wage information is now given to the unemployment insurance agency on a request reporting basis, thereby eliminating the quarterly listing of names of employees and the amounts paid to such employees.

On the Federal side millions of dollars could be saved annually by eliminating the need for processing these records. The W-2 form for income-tax purposes and form 941 should be combined in a single annual report.

It would be well to point out that reporting of wages for the self-employed has been on an annual basis and worked well. In the same manner as with the self-employed, 4 quarters of coverage can be credited for each year in which the individual had earnings of $400 or more.

9. Simplification of payroll tax deductions

We propose that the Ways and Means Committee consider a procedure for simplifying the payroll-tax deductions so as to reduce the administrative burden now incurred by employers under current statutory requirements. Specifically, we recommend that the law be amended to include a payroll-tax table under the wage-bracket method, which table would combine the tax deductions required under both the income tax (section 1622) and the social-security tax (section 1400) provisions.

With the increase in State and local payroll taxes imposed on a withholding-tax basis many employers have recently found it necessary to deduct the two Federal taxes on a combined basis. The Internal Revenue Bureau has approved a combined withholding table, but the brackets in such table are functions of the 2 percent FIC employee's tax rate. Our proposal contemplates that the brackets under the simplified procedure would conform to the brackets provided in section 1622. The introduction of a simplified method of payroll-tax deductions would have no material effect on the revenue obtained under these two laws. Simplified payroll-tax tables would materially aid the small employer whose accounting department is not equipped with high-speed machines and who is required to prepare his payroll on a manual or semimanual basis.

10. Tax on self employed

As a basic part of this concept of a self supporting OASI system it is clear that the tax rate on the self employed must be equivalent to the aggregate of the employer and employee shares. No adequate justification has been presented for the proposal that the self-employed should pay only 1½ times the employee contribution rate and be subsidized in relation to the amounts required for an employee in covered employment.

With the self employed paying the combined tax rate of both the employer and employee it is our recommendation that one half of such combined tax be permitted as a business expense on the self employed income tax return. This deduction would conform with the deduction of OASI tax now permitted as a business expense to other employers.

Mr. DIRR. I am accompanied this morning by Dr. M. William Zucker, director of studies of the association.

I am chairman of the association's social-security committee and am employed as assistant secretary of McKesson & Robbins, Inc.

I would just like to point out specifically a few of the areas that are covered in the statement. Insofar as coverage is concerned, we favor the extension of coverage. We favor the bill as originally drafted in that it would include doctors as well as other professional people.

Insofar as the coverage of State and local employees is concerned, we believe that it should be left to the option of the local government rather than being left solely to the election of the employees of the local government.

In regard to benefits, we favor an increase in the minimum benefits to $30 with no change in the current benefit formula. We do not favor the amendment that was put into the bill to extend to 12 months the period of time granted in which to apply for retroactive benefits. The present law has a period of 6 months, and we feel that is sufficient.

The danger of lengthening the period of time in which an individual can apply for retroactive benefits is that there is a pyramiding of benefits. In those particular States, for instance, that disqualify a person from receiving unemployment-insurance benefits if he is getting old-age benefits, an individual merely has that much longer to delay the application for the old-age assistance benefits and receive his unemployment insurance.

With regard to the dropout provisions in the proposed legislation, 3 months ago, when I had the honor of appearing before the House Ways and Means Committee, I emphasized the fact that while the introduction of the dropout provisions perhaps afforded easier administration of the law, it nevertheless established a bad precedent for further and continuous liberalization of the law.

At that time the bill as drafted provided for a 4-year dropout. Now, even before the legislation is enacted, we have evidence supporting this continuous liberalization. The bill has already been amended to provide an increase of the dropout to 5 years for persons with 20 quarters of coverage. We think that that is just the beginning and years from now we can see where we will reach the stage when an individual's benefits, perhaps, will be computed on his highest 5, 10, or 15 years of coverage or of earnings rather than his average lifetime earnings.

Just as in the case of the dropout provision, we oppose the so-called disability freeze. In this case it is our earnest belief that not only is it a bad precedent but furthermore the provisions of the disability freeze will be very difficult to administer.

With regard to financing, we believe strongly in a program on a contributory basis but following a pay-as-you-go principle.

Senator MARTIN. How would you work out a pay-as-you-go plan?

Mr. DIRR. I am just getting to that, Senator.

Senator MARTIN. All right, go ahead.

Mr. DIRR. We do not believe that the long-range projection of figures as regards income and expenses which have been made in the past serve any particularly useful purpose since we find that the original estimates have proven to be 100 percent wrong.

In advocating the pay-as-you-go basis, we are proposing what may be considered a rather unique financing formula. We favor a 2-year periodic review of revenue needed to provide the benefits for the coming 2 years. It is our proposal that legislation be enacted whereby a committee of four Cabinet members—we suggest the Secretaries of Treasury; Commerce; Labor; and Health, Education, and Welfare be set up to report to the Congress as to the estimated benefits which are required to be disbursed over the 2-year period following the year in which the report is due and, at that time, recommending to the Congress the rate which would be necessary to cover such estimated benefits. We propose that these reports be furnished in odd-numbered years.

The CHAIRMAN. Mr. Chairman.

Senator MARTIN. Yes, Senator.

The CHAIRMAN. Do I understand you are proposing that the taxing function be delegated to this committee composed of heads of the administrative agencies?

Mr. DIRR. This would not take any authority away from Congress. Congress would set up this committee which would recommend to them the rates necessary to cover the estimated benefits to be paid over the next 2 years.

The CHAIRMAN. But it says in your statement if an increase or decrease is called for, necessary tax rates shall be set by the Congress in accordance with the recommendations of this committee.

I think the Constitution would have something to say about that. I don't think any executive department would have the power to compel the Congress to make an appropriation according to what that executive committee thinks.

Mr. DIRR. That is right, sir, but the committee would have been established by act of Congress.

The CHAIRMAN. But we would have no right to establish something that is unconstitutional. We said we would set up an executive committee to tell us how much tax to impose, wouldn't we be abrogating our constitutional authority over the subject? The mere fact that we have done it doesn't make it right.

Mr. DIRR. You would enact the legislation.

The CHAIRMAN. That makes no difference. If we enact something that is not constitutional, we are off base, aren't we?

Mr. DIRR. This committee would recommend to the Congress——

The CHAIRMAN. That wouldn't make a bit of difference. Maybe I need further clarification.

The Constitution puts in the Congress the power to raise money for taxation. It doesn't put in Congress the right to delegate that authority to an executive committee. You are not saying it may con-

sider what this committee says. You say it shall set taxes according to the recommendation of the committee.

Mr. DIRR. Perhaps I haven't made myself clear.

Under our conception of this proposal, the Congress would determine that from this point on we are going to have a rate of taxation for social-security purposes which is sufficient to cover the estimated benefits paid in the next 2 years.

The CHAIRMAN. It is all right that far.

Mr. DIRR. In order to advise us as to that rate that we must set, we would have this committee tell us ---

The CHAIRMAN. But then you go on to say Congress shall establish the necessary taxes in accordance with their recommendations.

Mr. DIRR. I will grant you, sir, after their recommendation is made, Congress can act in accordance with their recommendation or otherwise.

The CHAIRMAN. You don't say otherwise. You say it shall act in accordance with their recommendations. That is exactly my point. Congress has a right to take advice any place it can get it. You are not making this advisory. You say when this executive committee tells you to raise a certain amount of tax, you shall raise it.

Mr. DIRR. I understand that, sir, but the point we make is that if this committee were to determine that we need a composite rate for employer and employee of 5 percent, let us say, then Congress can use that rate or not use it as it wishes.

The point is that that 5 percent, however, will have been determined by this committee to be the necessary rate to raise the taxes which Congress wishes to raise in order to have the benefits covered on a pay-as-you-go basis.

The CHAIRMAN. Either I am not reading this right or you have not stated it right.

I am reading from page 5 of your statement:

> * * * we favor a 2-year periodic review of the act.
>
> Under such a plan it is proposed that each odd numbered year a committee, composed of the Secretaries of the Treasury; Commerce; Labor; and Health, Education, and Welfare; report to Congress the income requirements necessary to pay for the estimated benefit --

and so on.

> If an increase or decrease in tax is called for, then the necessary tax rate shall be set by the Congress in accordance with the recommendation of this committee.

I am simply making the point that that is delegating to an executive department a constitutional power of Congress. We are not supposed to sit here and pass tax laws according to something mandatory. We can take advice, but this is mandatory.

Mr. DIRR. Congress would have set up this committee through legislation to recommend to Congress the rate.

The CHAIRMAN. It doesn't say "recommend." It says do as this committee says. That is what I am talking about.

Senator MARTIN. Why don't you say that Congress will do this?

Mr. DIRR. We say the necessary tax rates shall be set by the Congress. We say Congress is going to do it.

The CHAIRMAN. In accordance with the recommendations of this committee.

Senator MARTIN. Why don't you just say that Congress will do this?

The CHAIRMAN. Whether he says it or not that is what would be done. You are proposing something clearly unconstitutional.

Mr. DIRR. I think it is a case of wording, sir. Could we amend that statement by covering this subject in a supplementary letter?

The CHAIRMAN. I wish you would. You are clear off the track, I am quite sure.

Mr. DIRR. It will be mailed to you tomorrow.

(The information is as follows:)

COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.,
New York, N. Y., July 8, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: Permit me to express my appreciation to you, your colleagues on the Senate Finance Committee, and Mrs. Springer, the chief clerk, for the courtesies extended to me and Dr. William Zucker when I presented before your committee on July 7 the Commerce and Industry Association's statement with reference to H. R. 9366, concerning changes in the Federal social-security system. It was indeed a pleasure to appear before you and have the opportunity of a full hearing of our views.

I should like to elaborate the position of the association concerning the proposal which was made in our prepared statement and submitted as part of the record in which it is recommended that the system be placed on a pay-as-you-go basis with a 2-year periodic review of the tax needs to provide the benefits for that period. Under this proposal we suggested that a committee be established by congressional legislation, composed of the Secretaries of the Treasury, Commerce, Labor, and Health, Education, and Welfare, which committee would report to Congress the income requirements necessary to pay for the estimated benefit needs for the succeeding 2 calendar years. It was further suggested if an increase or decrease in tax requirements were called for the necessary tax rate "shall" be set by Congress in accordance with the recommendations of the committee. Actually the recommendations of this committee would be in the nature of advice to Congress in order to continue the program on a pay-as-you-go basis.

Thus the procedure would be for a Cabinet review of tax and benefit requirements, a report to Congress, and the congressional exercise of constitutional authority over tax legislation. This is analogous to the procedure followed in the setting of Federal income tax rates. Each year when the President submits a budget it is accompanied by a recommended income tax rate to secure the necessary revenues. The Congress, after mature deliberation, determines in each instance the tax rate to be established and may or may not utilize the recommendations submitted by the President. The use of a lower tax rate without cuts in the budget would result in a deficit.

Returning to our proposal, we should like to point out that if Congress were to adopt a lower rate other than that proposed by the Cabinet committee the OASI program would not be on a true pay-as-you-go basis since a deficit would result.

I trust that this illustrates the operation of the recommendations made by establishing tax rates. Would you be so kind as to incorporate this letter as part of my remarks presented on July 7.

Sincerely yours,

PETER G. DIRR,
Chairman, Social Security Committee.

Senator LONG. I find considerable sympathy for your objective. As I understand it, you recommend the pay-as-you-go system rather than trying to accumulate a fund that could conceivably be as high as $225 billion.

Mr. DIRR. Yes, sir; or to estimate now what is going to be needed in 1975.

Senator LONG. Do I correctly understand that you feel that you ought to try to see that you get enough money into the fund each year to meet the payments you are making out of the fund?

Mr. DIRR. That is right.

Senator LONG. And the burden in the years immediately ahead would not be as heavy upon those who are contributing to the fund as it would have to be to continue to build up these reserves?

Mr. DIRR. We would need a rate as set out in the present law about 1960 when it goes to 2½ percent. That is about the rate we would need in 1960.

Senator LONG. But between now and 1960 the rate could be less; is that right?

Mr. DIRR. I believe so.

Senator LONG. It occurred to me that we needed to have some way to ease the minds of those who were afraid that some day the money might not be there to meet the obligations. I had thought that one way we might do it would be to provide these automatic increases in the social-security tax rate but provide some device whereby the increase could be suspended if it was determined that the amount in the fund and the amount flowing into thhe fund were sufficient to meet the drain upon the fund.

If such a device as that could be worked out and if it were within the limits of the Constitution, you would approve of such a proposal, perhaps as an alternative to what you have recommended here?

The CHAIRMAN. I don't mind saying that I have no objection to the pay-as-you-go system. I have argued for years that we are going to have to come to it, but we are never going to come to it by giving an executive the power of Congress to make the appropriation.

Mr. DIRR. That wasn't our intention at all, sir.

Senator LONG. There is one aspect you don't cover, and I have often thought that our planning should take this into consideration. That is that, from an economic point of view, it seemed to me that there should be what economists call an anticyclical device there, that you pay out more than you are taking in in times when you have considerable unemployment and then you retrench by taking out more and collecting substantially more than you are paying out in good times, so that it tends to help offset the unemployment cycle and to counteract the unusual boom and bust of the business cycle that we have seen in the past.

I am sure that your organization hasn't considered that sufficiently to make any recommendations; have you?

Mr. DIRR. No, we haven't, sir.

Senator LONG. If you had a carefully drawn device to see to it, perhaps your collections could be 10 to 15 percent less in times of considerable unemployment and correspondingly higher in times of relatively full employment, and it would help to counteract the economic cycle and tend to prevent depressions.

Mr. DIRR. Yes, sir. That would be similar to the proposal in the laws of some of the unemployment insurance programs, whereby in a period of unemployment you tend to decrease the effect of the tax rates. In periods of full employment you derive your revenue at that time.

Senator LONG. Those things don't work too well unless you fix them up up so they go into effect automatically. The tendency is for the

Congress or any group to be very reluctant to impose additional taxes.

Senator MARTIN. Are there any further questions of the witness?

Mr. DIRR. I would just like to make one more statement, if I may.

Senator MARTIN. All right, sir. We have got to get along.

Mr. DIRR. Yes, I appreciate your time, sir. I do want to dwell for a few minutes on one area of the proposed legislation which we consider perhaps the most important, and that is the increase in the wage base from $3,600 to $4,200.

In the report of the Ways and Means Committee on this pending legislation, the statement was made that the average annual full-time earnings in manufacturing industries in 1953 were about $4,000 and that this justified the increase to $4,200. Actually, the Federal Bureau of Labor Statistics reported that for the month of December 1953 the average weekly earnings in manufacturing were only $71.78, or somewhat close to $3,700 per year. So the more current monthly average annual earnings would seem to support the retention of the $3,600 wage base.

Considering how many workers are affected by the increase from $3,600 to $4,200, in 1951, 65 percent of all workers had earnings of less than $3,600. In 1953, 56 percent of all workers had earnings of less than $3,600.

Thus we have a decrease of 9 percent in 2 years of those workers who had their total wages subject to OASI tax. The Department of Health, Education, and Welfare reports that increasing the wage base from $3,600 to $4,200 would increase the 56 percent previously mentioned to 69 percent. Thus only 13 percent of covered workers would be affected by the change, and this small percentage would not seem to justify the change. There is this further thought which we offer for your serious consideration. We don't believe that it is politically feasible to raise the tax base to $4,200 and in so doing raise the maximum benefit to $108.50 and hold out to people that they now have a maximum benefit of $108.50 when, in fact, the average worker who earns only $3,600 and $3,700, as I pointed out in previous figures, will never have an opportunity to reach that maximum of $108.50. The most he can reach is approximately $98 or $99 in monthly benefits.

Up to the present time, with a $3,600 wage base, the average worker earning that amount could be assured that he would receive the maximum benefit provided under the plan. Now we are holding out a higher maximum benefit which the average worker will not be able to achieve, and we think that that is quite a departure from the practice of the past.

Again, as the previous speakers pointed out, it results in higher taxes and reduces the take-home pay of the worker, and we believe that the individual should be encouraged to provide for his own retirement to supplement OASI, but he should be encouraged to retain as much of his earnings as possible to use as he pleases.

In this regard, I might just quote a statement that President Eisenhower made less than a month ago speaking before the National Citizens for the Eisenhower Congressional Committee.

He stated:

> You know this administration goes on the theory that the private citizen knows better how to spend his money than the Government.

We feel that that is a very good reason why the wage base and corresponding taxes should not be increased at this time.

Senator MARTIN. Are there any further questions?

If not, thank you very much, Mr. Dirr.

Mr. DIRR. Just one more point.

I have here these payroll tax tables. In my statement we recommend a system of annual reporting and combined payroll tax for income and social security.

I realize you will not give any time to it in your present discussions, but we would like to leave these tables with you so that we might discuss it with your committee at some other time.

Senator MARTIN. We will appreciate it very much indeed.

Senator LONG. Do I understand that you are proposing that you try to make the collections for social-security and payroll deductions mesh so that a businessman, rather than having to calculate two taxes, can calculate just once?

Mr. DIRR. For those who are under the $3,600 maximum wages. We have these tables set up with a combined annual tax table.

Senator MARTIN. The tables you submit will be made a part of the committee file.

STATEMENT OF STEPHEN M. YOUNG, CUYAHOGA COUNTY BAR ASSOCIATION

Mr. YOUNG. Mr. Chairman and members of the committee, first I apologize for the reason that I have not prepared a formal statement and had copies thereof made for each member of this committee. I propose to make my statement brief and to the point.

Senator MARTIN. All right, if you will send in your statement, the reporter will make it a part of the record.

(The statement referred to follows:)

I am Stephen M. Young of Cleveland, Ohio. I am first vice president of the Cuyahoga County Bar Association and appear here as representative of that association. The Cuyahoga County Bar Association is the second largest county bar association in the United States. Its membership consists of more than 1,600 lawyers admitted to the bar of the State of Ohio. Nearly all our members practice law in Cleveland.

I served in the Congress as Ohio Congressman at Large in the 73d, 74th, 77th, and 81st Congresses. As a member of the Committee on Ways and Means of the House of Representatives I participated in drafting the amended social-security law; and I voted in favor of the social-security law as a member of the 73d Congress.

It is as a lawyer that I appear here. The Cuyahoga County Bar Association held a referendum of its members and more than 80 percent of the members who voted expressed the desire that lawyers should be included under social security. Then at an open meeting of our association a resolution was unanimously adopted urging that the Congress include self-employed attorneys at law within social security. I assert the people's representatives can provide reasonable social security for all employed and self-employed without in any way sacrificing that liberty which we know as the American way of life. An adequate old-age insurance program, reasonable aid to the unfortunate, and extention of retirement benefits to all, employed or self-employed, is not statism, nor is it socialism. I am certain that you gentlemen are determined that aid for the aged shall be based on an insurance system, actuarially sound, instead of a mere pension system.

With reference to the exclusion of lawyers from eligibility for coverage as self-employed persons, I recall that the first tentative decision of the Committee on Ways and Means of the 81st Congress would have included all self-employed

persons, other than farm operators, whose net earnings from self-employment were at least $400 in a year. In a paper published immediately following early committee meetings by Wilbur J. Cohen, technical adviser to the Commissioner for Social Security, you will find this statement:

"After the House committee had voted to cover the self-employed, a Washington lobbyist opposing health insurance informed doctors that if they were covered by social security they would inevitably be drawn into a Government system of medical care. This started a flood of letters and telegrams to Congress from doctors and dentists opposing their coverage under the law. Faced with the necessity of complying with the desires of these groups, the House committee also excluded professional groups which seemed to them to be in the same general circumstances as doctors and dentists. When several other groups such as funeral directors and accountants later learned of this action, they petitioned the Senate Finance Committee to be excluded so they could be considered a professional group. The desire to obtain indirectly a professional status by Federal statute was more compelling than the value of social security protection. The only exception was newspaper publishers who were excluded by the House bill but included in the Senate version and in the final law."

In 1949 and 1950 there was no evidence before the Committee on Ways and Means that lawyers, dentists, and other professional men desired to be covered by the provisions of the social-security law. There was evidence that other self employed would desire to be covered.

Not one bar association in the United States at that time sent a representative to Washington requesting inclusion under social security. Furthermore, the American Medical Association at that time vigorously fought extension of social security, claiming doctors did not need it, were as a rule independent upon retirement and that anyway, this was a step toward socialized medicine so AMA lobbyists said. "Socialized medicine" seemed at the time to be the reactionary cuss word for Federal health aid. Good health is really not socialistic.

Had one bar association such as the Cuyahoga County Bar Association studied this subject in 1949, then voted in favor of including lawyers within social security and then sent a witness to Washington to so testify, I believe self-employed lawyers would now be included within social-security coverage, instead of excluded. I assert that the membership of the Cuyahoga County Bar Association is representative of a true cross-section of lawyers, not only in Cleveland but in Ohio and, in fact, in the Middle West, and it should be persuasive that these lawyers on a referendum voted more than 4 to 1 to be included within social security.

Self-employed funeral directors, naturopaths, and lawyers are among those now excluded from social security. Yet professional men and women such as self-employed research workers, registered nurses, pharmacists, authors, are covered.

You gentlemen as leaders in thought and in social progress, and as lawmakers for this Nation, will not, it appears to me, cry quits until we have a Federal social-security system covering all our people in whatever occupations they may have worked, whether employed or self-employed, and covering them in every State and covering them adequately to maintain them in comfort and dignity. The dignity of every individual in the Nation is involved. Something deep inside a person is offended if, after a lifetime of productive work, all he gets is a handout. If we are not going to have social insurance providing adequate social security, we must have extensive Federal relief. Our social-security law should free men and women, whether employed or self-employed, and in whatever work or profession, from dependence on charity, from the fear of unemployment and indigent old age.

The American Bar Associaion appointed a special committee to study and report a program whereunder lawyers can obtain retirement benefits comparable to those achieved through pension plans in business and industry. The recommendations of this committee show that the basic protection afforded by old-age and survivors insurance would be helpful to lawyers. Its committee reported the need for such retirement benefits "is equally great in the case of professional persons." Employees in industry, of course, have both old-age and survivors insurance and sometimes, in addition, private pension plans. In most instances social security does the major part of the job. It is clear that social security, or to refer to it as defined by law, old-age and survivors insurance, does not compete with private pension plans but is complementary to them. Lawyers and other professional people should have both the basic protection of our old-age and survivors insurance law, and also protection under voluntary supplementary plans if any of their associations so provide.

It is a fact that some lawyers are unusually prosperous and many others may receive incomes substantially above average, yet more than 40 percent of the practicing attorneys in 1947 received a net income of less than $5,000. Moreover, statistics clearly show that as a group the income of lawyers declines after 54.

Lawyers, therefore, seem to need old-age insurance protection for themselves. Of at least equal significance is the protection afforded to their dependents under the survivorship provisions of the old-age and survivors insurance law, in case of the death of the lawyer himself. I do not need to dwell on the difficulties confronting the young lawyer in getting established in practice. During the early years there probably is very little money put aside as available to provide the family of the average practicing lawyer with the amount of life insurance commensurate with their standard of living in the community. Consequently, the minimum floor of protection for a surviving widow and children may outweigh the old-age retirement benefits for lawyers themselves.

It should be only a matter of time before this humanitarian program will be made universal. This is not charity. You gentlemen are rendering a real and needful public service to all Americans in studying the entire social security framework and system and devoting your time, efforts, and intelligence in public hearings and in executive sessions. In this expending system of safeguards against the hazards and cruelties of penniless old age, new concepts of security and human dignity are involved, as well as new relationship between the individual and his Government. The hope we all cherish is an old age free from care and want. To that end people toil patiently and live closely, seeking to save something for the day when they can earn no more. In the life of the lawyer there may be weeks, often months, of enforced idleness, weeks of unavoidable sickness, and then, as age creeps on, there is a constantly declining capacity to earn, until after 65 many find themselves unemployable. There is no more pitiful tragedy that the lot of a professional man who had struggled all his life to gain a competence and who, at 65 or 69, which at the present time is more nearly the average retirement age for employed and self-employed, is poverty stricken and dependent upon charity or the generosity of relatives.

Private charities, breadlines and soup kitchens must not be the answers of American intelligence and sense of justice to the problem of unemployment and indigent old age.

Under the present social-security program, which we feel certain you are intent upon maintaining, we of this generation do not impose upon our grandchildren the problem of finding money to pay retirement benefits the Congress has promised. Thoughtful persons, the country over, desire to continue a pay-as-you-go social-security program, and one that is sound in every respect. Personally it is my belief that the social-security law, which we enacted into law in 1935, represents the greatest legislative achievement of the United States Congress within the past 20 years or longer. We provided a social-security system under which people may retire in comfort instead of at a mere subsistence level.

General Motors in April of 1951 voted bonus awards of $6 million, plus 24,000 shares of stock, to officers and directors for services in 1950. Charles E. Wilson received $600,000 in salary and bonus awards. Three executive vice presidents received salary and bonus awards totaling $1,503,000. In addition General Motors' directors voted Charles E. Wilson and the 3 executive vice presidents $25,000 each year retirement pensions effective when they decide to retire. During preceding and subsequent years this corporation and many other corporations have voted bonuses and retirement benefits to their officers.

If American industry—big business—can afford to pay huge pensions to retired officials who do not need them, is it State socialism when the peoples' representatives impose a tax on industry and on employers and on employees and on self-employed to pay retirement or social security payments to those who do need them?

Expanded and liberalized social security does not threaten the Constitution of our country. On the contrary, it makes of it a living document—a tower of strength for the weak, a haven of refuge for the unfortunate and distressed. One man's right to make money is tempered by another's right to live.

Mr. YOUNG. The Cuyahoga County Bar Association is the second largest county bar association in the United States. Its membership consists of more than 1,600 lawyers admitted to practice in Ohio. It happns that I am first vice president. Practically all of our mem-

bers practice law in Cleveland. As a member of the Committee on Ways and Means of the House of Representatives in the 81st Congress, I participated in drafting the amended social security law, and before that I voted in favor of the social security law as a Member of the 73d Congress.

The Cuyahoga County Bar Association held a referendum as to whether it was desired to have self-employed lawyers included under social security. By a vote of more than 80 percent of the members participating, it was so decided. Then at an open meeting of our association a resolution was unanimously adopted urging that the Congress include self-employed attorneys at law within social security. I assert that the membership of the Cuyahoga County Bar Association is representative of a true cross section of lawyers, not only in Cleveland, but in Ohio and, in fact, in the Middle West. It seems to me this action should be somewhat presuasive.

Senator MILLIKIN. Mr. Chairman——

Senator MARTIN. Yes, Senator.

Senator MILLIKIN. Did you poll your members?

Mr. YOUNG. We polled our members. First we held a meeting which was addressed by lawyers against social security and for social security.

In the open meeting there was a debate on the subject.

Senator MILLIKIN. Did you poll your individual members?

Mr. YOUNG. We polled our members and, of those who voted, it was more than 4 to 1 for inclusion within social security.

The subject was very thoroughly studied, and it seems to me that some arguments were made against social security before our membership that even the American Medical Association have not thought of. So it was very thoroughly considered.

Senator LONG. They were in favor of it, were they?

Mr. YOUNG. There were many members against it.

Senator LONG. Was the majority in favor of it?

Mr. YOUNG. Oh, yes, by more than 4 to 1. Then at an open meeting of our association, the resolution was unanimously adopted urging that Congress provide legislation including self-employed lawyers under the coverage of social security. Our board of trustees voted unanimously in favor of social security.

Senator LONG. Did those who heard the debate vote there and how did they vote?

Mr. YOUNG. They were unanimous, or nearly so. The Cuyahoga County Bar Association publishes a bulletin and in that bulletin were arguments for and against, including extensive excerpts from the Congressional Record.

After all of that, I come here representing 1,600 lawyers as first vice president of the association and our membership, I can say, voted by more than 4 to 1 in favor of being included under social security.

You know that self-employed funerals directors and naturopaths and lawyers are among those presently excluded from social security. Yet it is a fact, as you know, research workers, authors, registered nurses, pharmacists, and other self-employed are covered, and we do ask to be covered.

Senator LONG. Mr. Young, as an attorney myself, I am most impressed by how a person votes after he hears the argument on both

sides, and I am not as much impressed by unanimous votes by people who have not heard the conflicting arguments as by a person who did.

My State legislature passed a unanimous resolution favoring a proposed amendment to the Constitution, and the following year they passed just the opposite.

Mr. YOUNG. I agree with you, Senator, and there was very substantial opposition in the bar association to social security and to the entire system, saying it was a handout, but the matter was fully considered, and it is a fact that the Cuyahoga County Bar Association is the second largest in the United States of practicing lawyers and the overwhelming majority of our membership favors including self-employed lawyers within social security.

I assert the people's representatives can provide reasonable social security for all employed and self-employed without in any way sacrificing that liberty which we know as the American way of life. An adequate old-age insurance program, reasonable aid to the unfortunate, and extension of retirement benefits to all, employed or self-employed, is not statism, nor is it socialism.

Mr. Chairman, I am sure that you and the members of this committee as leaders in thought and in social progress, and as lawmakers for this Nation, will not cry quits until we have a Federal social-security program covering all our people in whatever occupations they may have worked, and covering them in every State, and covering them adequately to maintain them in comfort and dignity.

The dignity of every individual in the Nation is involved. Something deep inside a person is offended if after a lifetime of productive work all he gets is a handout. If we are not going to have social insurance, we must have large-scale Federal relief.

With reference to the exclusion of lawyers from eligibility for coverage as self-employed persons, you will recall that the first tentative decision of the Committee on Ways and Means of the 81st Congress some 4 years ago would have included all self-employed persons, other than farm operators, whose net earnings from self-employment are at least $400 in a year. According to a paper published by Mr. Wilbur J. Cohen, technical adviser to the Commissioner for Social Security, it was stated at that time:

> After the House committee had voted to cover the self-employed, a Washington lobbyist opposing health insurance informed doctors that if they were covered by social security they would inevitably be drawn into a Government system of medical care. This started a flood of letters and telegrams to Congress from doctors and dentists opposing their coverage under the law. Faced with the necessity of complying with the desires of these groups, the House committee also excluded professional groups which seemed to them to be in the same general circumstances as doctors and dentists. When several other groups such as funeral directors and accountants later learned of this action, they petitioned the Senate Finance Committee to be excluded so they could be considered a professional group. The desire to obtain indirectly a professional status by Federal statute was more compelling than the value of social-security protection. The only exception was newspaper publishers who were excluded by the House bill but included in the Senate version and in the final law.

The American Bar Association appointed a special committee to study and report a program whereunder lawyers can obtain retirement benefits comparable to those achieved through pension plans in business and industry. The recommendations of this committee show that the basic protection afforded by old-age and survivors' insurance

would be helpful to lawyers. This committee reported the need for such retirement benefits is equally great "in the case of professional persons." Many employees in industry, of course, have both old-age and survivors' insurance and private pension plans. In most instances social security does the major part of the job. It is clear that social security, or to refer to it as defined by law, old-age and survivors insurance, does not compete with private pension plans but is complementary of them. Lawyers and other professional people should have both the basic protection of old-age and survivors insurance and also protection under supplementary plans.

It should be only a matter of time before this humanitarian program will be made universal. This Nation's social security system is not charity. In this expanding system of safeguards against the hazards and cruelties of penniless old age, new concepts of security and human dignity are involved, as well as new relationship between the individual and his Government.

The hope we all cherish is an old age free from care and want. To that end people toil patiently and live closely, seeking to save something for the day when they can earn no more. In the life of the lawyer there may be weeks, often months, of enforced idleness, weeks of unavoidable sickness, and then, as age creeps on, there is a constantly declining capacity to earn, until after 65 many find themselves unemployable. There is no more pitiful tragedy than the lot of a professional man who had struggled all his life to gain a competence and who, at 65 or older, is poverty stricken and dependent upon charity or the generosity of relatives.

Private charities, bread lines, and soup kitchens must not be the answers of American intelligence and sense of justice to the problem of unemployment and indigent old age.

If American industry—big business—can afford to pay huge pensions to retired officials who do not need them, is it state socialism when the peoples' representatives impose a tax on industry, on employers and on employees, and on self-employed, to pay retirement or social security payments to those who do need them?

Expanded and liberalized social security does not threaten the Constitution of our country. On the contrary, it makes of it a living document—a tower of strength for the weak, a haven of refuge for the distressed, the disabled and those who are too old to work. One man's right to make money is tempered by another's right to live.

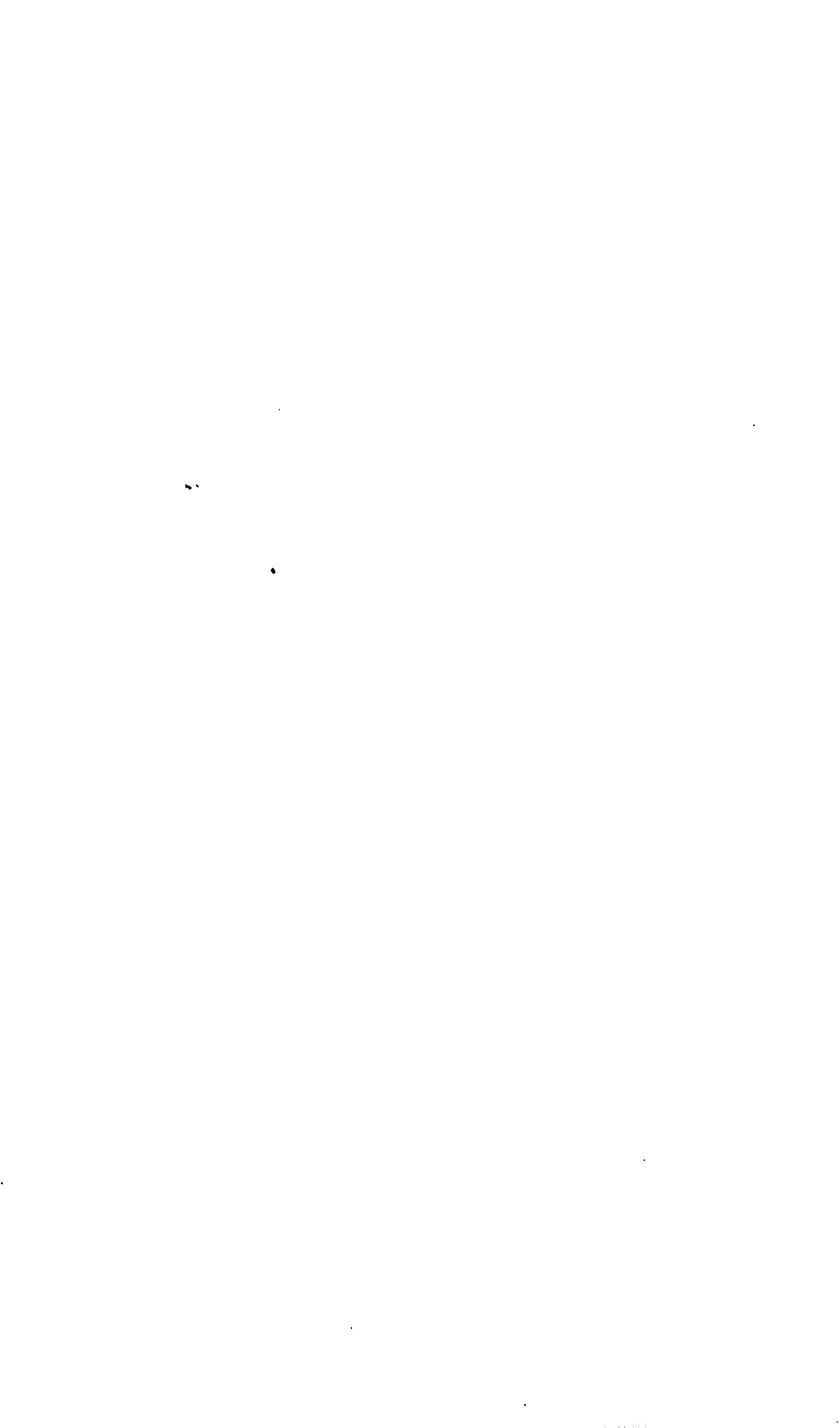
While some lawyers, therefore, may be unusually prosperous and others may receive an income substantially above average, more than 40 percent of the practicing attorneys in 1947 received a net income of less than $5,000. Moreover, statistics clearly show that as a group the income of lawyers drops after 54.

Lawyers, therefore, seem to need an old-age insurance protection for themselves. Of at least equal significance is the protection afforded to their dependents under the survivorship provisions of the old-age and survivors insurance law, in case of the death of the lawyer himself. I do not need to dwell on the difficulties confronting the young lawyer himself. I do not need to dwell on the difficulties confronting the young lawyer in getting established in practice. During the early years there probably is very little available to provide the family of the average practicing lawyer with the amount of life insurance com-

mensurate with their standard of living in the community. Consequently, the minimum floor of protection for a surviving widow and children may outweigh the old-age retirement benefits for lawyers themselves.

Senator MARTIN. Thank you very much. The committee will now recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12:05 p. m., the committee recessed to reconvene at 10 a. m., Thursday, July 8, 1954.)



SOCIAL SECURITY AMENDMENTS OF 1954

THURSDAY, JULY 8, 1954

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

The committee met, pursuant to recess, in room 312, Senate Office Building, at 10 a. m., Senator Edward Martin presiding.

Present: Senators Millikin, Martin, Malone, Bennett, and George.

Senator MARTIN. The committee will come to order. First I want to submit a statement for the record by John C. Lynn, legislative director of the American Farm Bureau Federation.

(The statement referred to is as follows:)

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., July 7, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR MILLIKIN: On behalf of the American Farm Bureau Federation we wish to express to you the views of this organization regarding proposed amendments to the social-security laws.

The question of extending coverage to self-employed farmers and to farm labor has been considered by the State farm bureaus and the American Farm Bureau Federation for several years. It is the viewpoint of our membership that experience to date with coverage of self-employed is still insufficient to determine the practicability of covering farmers under the provisions of the Social Security Act as a self-employed. Therefore, we are opposed to the coverage of farmers under the provision of this act at this time.

We also recommend that coverage of farm labor should not be extended beyond the scope of present provisions. The coverage of farmworkers whose employment is occasional, seasonal, or of short-term duration is impractical and disruptive of farming operations requiring such workers. It is further recommended that coverage not be extended to include foreign agricultural workers.

The State farm bureaus in the the 48 States are continuing to study this problem, and we hope that sometime in the near future we can assist your committee in working out a satisfactory solution to this problem.

We respectfully request that this letter be made a part of the record.

Sincerely yours,

JOHN C. LYNN,
Legislative Director.

Senator MARTIN. Also I would like to insert in the record a statement of James G. Patton, president, National Farmers Union. This is dated June 25, 1954.

(The statement referred to is as follows:)

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION, IN REGARD TO THE EXTENSION OF THE SOCIAL-SECURITY PROGRAM TO FARM OWNER-OPERATORS AND THE BROADENING OF THE PROGRAM PRESENTLY ACCESSIBLE TO HIRED FARM WORKERS

Old-age and survivors insurance in 1952 covered approximately 80 percent of the Nation's paid civilian jobs. Workers in the remaining 20 percent of such jobs either did not have any protection or had less than full protection under

the program in effect at that time. It is to this 20 percent of the Nation's workers that I would like to direct the committee's attention. Of this 20 percent of the Nation's paid jobs, approximately 13 percent are not covered by any public retirement system. According to the annual report of the Federal Security Agency for 1952, most of the people in these jobs are farmers, farm or household workers who are not regularly employed by a single employer, or self-employed professional people. Undoubtedly, the greater parts of this group are hired farmworkers and farm owner-operators. Whether farmers or some other groups are not protected, however, it is the position of the National Farmers Union that old-age and survivors insurance can be fully effective only if all or virtually all of gainfully employed workers are covered.

Farm operators and hired farmworkers continue to be the largest occupational groups without protection of an adequate retirement system. Yet the aged in agriculture are faced with even greater problems of insecurity than in other occupations. Commercialization and specialization in agriculture have made the family farmer less self-sufficient and more dependent on the market economy with its attendant risks than in earlier periods in history. Larger investments in land and farm equipment and the need for greater amounts of working capital are making it difficult if not impossible for farmers to achieve retirement through gradual reduction in farming operations. A farm business today can be curtailed only with the sacrifice of sound farm management practices.

The farm population has more than its national share of old people. This has been brought about by the wholesale migration of farm-reared boys and girls as soon as they reach the age at which nonfarm employment can be secured. The stream of hired agricultural workers moving up to ownership of farms is diminishing and more and more farm employees are having to remain in the status of wageworkers. This group has only limited protection under the present program because of restrictive coverage provisions; many workers in this group are afforded no protection at all.

More and more, during recent years, farmers have been turning toward insurance and cooperative efforts for protection against the many hazards of agriculture, both economic and natural. They have learned new ways of working together. For example, they are increasingly aware of the advantages of cooperative purchasing and marketing. They are also awake to the benefits and value of insurance against fire, hail, and flood, as well as general crop insurance to spread the risk from natural disasters.

The argument that farmers do not desire old age or survivors benefits will no longer stand up. Farmers today are thinking concretely in terms of the application of the insurance principle to social hazards which affect their security. This is evidenced in the recent studies made by agricultural experiment stations in Connecticut, Wisconsin, and Texas, in cooperation with the Bureau of Agricultural Economics in the Department of Agriculture.

Heretofore farmers have borne the costs of social insecurity through local taxes for relief purposes. Therefore the farm owner, through his property taxes, has in part contributed to the support of those farmers or agricultural workers who lost farms or jobs. Furthermore, every time a farmer makes an off-farm purchase he is contributing to social-security benefits of nonfarmers who had a hand in the manufacturing process. Under a broad social security insurance program, all segments of the population would contribute in proportion to their earnings. Because all the Nation's workers would be pooling their small regular contributions in a common plan, farm families would enjoy the same protection as urban families. Such a program is consistent with our democratic traditions, because all families, rich and poor alike, would be included.

The predominance of the family farmers employ little or no help. Even though this is true, family farmers have an interest in the continuation and broadening of the present program for hired farmworkers. Many of these farmers have sons that work on other farms whenever they can be spared from the home farm. Furthermore, the family farmers have an interest in seeing that their hired workers are permitted to build up protection the same as the industrial worker. While family farmers cannot very well compete with industry in the matter of wage rates, they can, at little cost to themselves, improve their ability to attract good men to the farm by offering the same kinds of social security, including unemployment insurance, that are now available to industrial labor.

Farmers' Union endorses the social-security program presently in effect for hired farmworkers with provisos. Under the present law, in order to be covered,

a hired farmworker must be "regularly employed" by one employer and receive cash wages of $50 or more in a calendar quarter from that employer. The definition of "regularly employed" is complicated and has been misunderstood by many. In our opinion, this test is an unnecessary complication. Moreover, it is our understanding that its elimination would result in the course of a year in covering farm wages of about 2.7 million workers who are not now included under the present program. The social security bill, H. R. 9366, provides for extending social-security coverage to additional hired farmworkers. The bill is an improvement over present social-security legislation. It does not, however, extend social-security benefits to the more than 3 million seasonal migratory and nonmigratory part-time farmworkers.

In keeping with National Farmers' Union recommendations to get the widest possible coverage under the old-age and survivors' insurance it would be necessary to eliminate the provision in the House bill, which requires that hired workers earn at least $200 annually from a single employer. To summarize briefly, National Farmers' Union endorses the covering of all cash wages earned in hired farmwork regardless of the amount of wages and the number of days the individual works for a single employer. We recommend also that workers employed in cotton ginning and the production of gum naval stores be included under the present program. This recommendation is in keeping with the recommendations of the consultants on social security appointed by the Secretary of Health, Education, and Welfare.

National Farmers Union recommends that farm owner-operators be covered on a basis consistent with other self-employed workers. We recommend that this be accomplished by removing from the definition of "net earnings from self-employment" the present exclusion of income "derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor." If this were done, it is understood that anyone with annual net earnings of $400 or over from self-employment, including the operation of a farm, would be covered. It is understood that H. R. 9366, passed by the House, provides coverage for farmer owner-operators on this basis. National Farmers Union endorses this change in the present program and urges adoption also by the Senate Finance Committee. The consultants on social security in their report to Secretary of Health, Education, and Welfare indicate that in the course of a year over 3 million farm operators would be covered under this proposal. The inclusion of this group would present no special problem within the framework of the present social-security program and should not be delayed further.

National Farmers Union recommends that the operators of industrialized farms who hire the bulk of foreign contract workers in agriculture be required to pay the same social-security tax as would be the case if United States citizens were employed. If a plan cannot be worked out whereby these workers will get social-security credit, it is recommended that tax funds collected be used to pay the cost of Federal regulatory measures designed to maintain adequate housing, health and educational standards. Farmers Union takes the position that the social-security program should be designed so as to prevent providing an incentive to employ foreign contract workers in preference to United States workers.

HEALTH INSURANCE FOR PREPAID MEDICAL CARE AND HOSPITALIZATION

To meet fully the need of farm families, both owners and hired workers, Farmers Union urges that social insurance be expanded to give protection against the cost of medical care. Rural medical and hospital services have long been below urban standards in both quality and quantity. Yet it is our understanding that reductions are proposed in Federal appropriations to States under the Hill-Burton Act for the construction of rural hospital facilities.

Farm families have not been able to afford, on an individual basis, as much medical, nursing, and hospital care as they need. The greatest number of children with preventable illnesses or correctible defects, the highest infant death rates, and the highest death rates in maternity cases are found in rural areas. Farm boys have been rejected by Army doctors for physical defects in considerably greater proportion than urban and city selectees. This situation undoubtedly can be attributed in part to the inability of farm families to obtain adequate medical services out of their own resources.

INTERDEPENDENCE OF PRICE SUPPORT AND SOCIAL-SECURITY PROGRAMS

In connection with old age security for farm people, particularly in respect to a program based upon past earnings, we cannot overlook the fact that governmental measures to maintain and improve farm-family income are essential features. No matter how good an old-age insurance scheme might be otherwise, it can provide no greater security than that which is inherent in the income earning opportunities of the occupation to which applied.

An old-age insurance plan for farmers superimposed upon a sliding scale farm price support program with a 75 percent of parity floor means a 75 percent of parity old-age insurance for farmers. It is, therefore, we feel, important to remind your committee that present adequate price support laws expire at the end of this year.

National Farmers Union has, therefore, recommended enactment at this session of Congress of a comprehensive package bill including the following features:

1. Extension of mandatory supports at a minimum of 90 percent of parity for the basics—wheat, cotton, corn, peanuts, rice, tobacco—and tung nuts and honey.
2. Mandatory supports at the feed-value-equivalent ratio to corn for rye, oats, barley, grain sorghums, cottonseed, soybeans, flaxseed, and other storables.
3. Mandatory supports at a minimum of 90 percent of parity for milk and butterfat, beef cattle, calves, and wool.
4. A food allotment program to enable the unemployed, elder citizens, relief recipients, and other low-income consumers to obtain good nutrition diets.
5. A farm trading post and international food reserve to expand exports of abundant farm production so as to relieve famine, promote economic development, and promote the quest of permanent world peace.
6. An adequate safety-reserve of food and fiber for the United States.
7. Extend marketing orders and agreements to more fruits and vegetables.
8. A loan program for improved marketing facilities.
9. Renewal and extension of the agricultural conservation program.
10. A program of incentive payments to farmers for conservation practices on land taken out of production under acreage allotments and marketing quotas.

Senator MARTIN. The first witness will be Victor C. Johnson, United Workers for the Blind of Missouri.

STATEMENT OF VICTOR C. JOHNSON, REPRESENTATIVE OF THE UNITED WORKERS FOR THE BLIND OF MISSOURI

Mr. JOHNSON. Mr. Chairman and members of the committee, my name is Victor C. Johnson. I live at 4470 Penrose Street, St. Louis, Mo. I am the representative of the United Workers for the Blind of Missouri.

The blind of Missouri, in whose behalf I appear before you today, ask that you remove the cutoff date in section 344 of Public Law 734 (81st Cong., 2d sess.), amendments to the Social Security Act.

The blind of Missouri formed an organization 40 years ago primarily for the purpose of securing an enlightened program of aid for the blind. By 1921 a liberal and progressive law was passed, together with a special constitutional tax of 3 cents per $100 assessed valuation of general property to meet its cost. You will note that this predated the passage of the Federal Social Security Act by 14 years. With the passage of the Federal act, its proponents, and particularly those responsible for the passage of those sections pertaining to the needy blind, tried to create the impression that until the passage of the Federal act very little, if anything, had been done in any of the States in the way of aid or help for the blind. However, when confronted with such liberal laws as those in Missouri and Pennsylvania, these persons would denounce such laws as unworthy and harmful to the best interests of the blind.

These well-intentioned, but we believe misguided, misinformed, and, as we think experience has proved, mistaken individuals insisted that all States scrap those blind-aid programs which were wholly State supported in order to secure Federal money for blind persons who were eligible for assistance under the Federal Social Security Act. This Missouri refused to do, as we were unwilling to trade our stipulated monthly grant to all blind persons who could qualify under the liberal provisions of the law. The Federal administrative demand and money were dangled before us at each session of our legislature beginning in 1937 and continuing each 2 years until 1950. In 1950 Congress overruled the Federal administrators by the passage of section 344 and ordered them to make payments in Missouri and Pennsylvania to those blind persons who were eligible under the Social Security Act. Now Missouri has a dual system of assistance for the blind; the State paying the entire amount of those unable to qualify for Federal money. We are now endeavoring to make this amendment a permanent part of the law by eliminating the cutoff date.

The trouble has always been that the Social Security Administration has stubbornly resisted any change looking toward the liberalization of Federal law and in instances where we have been able to write any changes into the law, said Administration has attempted immediately by its rulings to nullify such progressive advances. We suspect that such opposition is at work to keep this amendment from becoming permanent.

Therefore, Mr. Chairman and members of the committee, we urge you to substitute the Martin-Duff bill S. 1779 for the mere assurance to Missouri and Pennsylvania of Federal reimbursement for 2 years which has come over from the House. We feel that refusing to make this a permanent part of the law by continuing its provisions 2 years at a time imposes a perpetual threat of withdrawal of Federal participation, thereby penalizing, as it were, States such as Missouri and Pennsylvania which have so long maintained progrms of aid to the blind far in advance of anything which the provisions of the Social Security Act offer.

While it is true that Missouri got along without Federal money for some 15 years, the loss of it now would seriously hamper not only the aid to the blind but also the more liberal State grant, for as of February 1 of this year there were 3,800 recipients of blind aid, 3,000 of these received aid to the blind in which the Federal Government participates. Thus you will see that approximately 80 percent of Missouri's blind are now receiving Federal money, but even at that the Federal Government pays only 46 percent of Missouri's bill for aid to the blind. This, we believe, is sufficient grounds for asking that this temporary and unfair extension sent over from the House to be rejected and the amendment be made a permanent part of the Social Security Act which, if I may be excused for repeating, will be accomplished by the substitution of S. 1779, thereby obviating the necessity of coming here each 2 years to secure further extensions. This would also relieve our anxiety and put at rest for all time any fear that we might not be able to qualify for Federal money and allow our outstanding and sympathetic welfare administrators in Missouri to continue their sincere and fruitful efforts in the betterment and amelioration of the conditions of the sightless citizens of Missouri.

Now, gentlemen, may I conclude by repeating my essential point. We are not asking for special favors for Missouri and Pennsylvania. We are not asking that blind persons in those States receive federally contributed money who are not 100 percent eligible under the Social Security Act. We ask only that Missouri and Pennsylvania, so far as the blind programs are concerned, receive equal treatment under the Social Security Act with all of the other States; in other words, that the existing discrimination against Missouri and Pennsylvania be removed. That existing discrimination consists of a time limit during which the States of Missouri and Pennsylvania may have wholly State-supported programs aiding blind persons who are not eligible under the past interpretation of the Federal Social Security Act. We ask merely that you eliminate that discrimination by removing the cutoff date in section 344 (b) of the Social Security Amendments of 1950.

Thank you.

Senator MARTIN. Are there any questions of Mr. Johnson?

Senator GEORGE. Mr. Johnson, I remember we had this problem up in 1950. I do not recall the reason why Missouri and Pennsylvania were not able to qualify.

Mr. JOHNSON. The reason, Senator, was that our law provided very liberal exemptions for persons receiving the blind aid.

Senator GEORGE. I remember that much of it.

Mr. JOHNSON. That is why we never could, until they had this

Senator GEORGE. That is why we never could, until they had this amendment which is referred to here providing that you could have some in the State, that all of them did not have to receive Federal money and could be paid without it if the State could pay the entire amount, but only those who could qualify under the act could receive Federal money. That was done after long negotiation and after the passage of the amendment.

Senator GEORGE. I recall that. Thank you very much.

Senator MARTIN. Thank you very much for your very clear statement.

Next is Judge Earl P. Hall of the Texas State Bar Association.

You do not have a statement?

Mr. HALL. I have no statement.

Senator MARTIN. Just sit down and proceed in your own way.

STATEMENT OF JUDGE EARL P. HALL, GENERAL COUNSEL, STATE BAR OF TEXAS

Mr. HALL. I have a resolution here from the State Bar of Texas which was passed in convention Saturday and which I would like to read to you.

Senator MARTIN. Proceed.

Mr. HALL (reading):

> Whereas there is pending before Congress H. R. 9366, under the provisions of which self-employed lawyers will be compelled to make contributions under the Social Security Act; and
>
> Whereas it is believed to be contrary to the best interests of independent, self-employed lawyers that they be so compelled to make such payments: Now, therefore, be it
>
> *Resolved by the annual convention of the State Bar of Texas*, That the State Bar of Texas opposes any legislation imposing compulsory social security upon self-employed lawyers and that the State Bar of Texas in particular opposes

H. R. 9366 insofar as same includes within its terms self-employed lawyers on an involuntary basis.

The board of directors is authorized and requested to appoint the president of this association, or another representative, to appear in Washington before the appropriate congressional committee in favor of the purposes of this resolution.

It is sworn to by the secretary of the bar.

Senator MARTIN. That resolution will be made a part of the record. You may proceed.

Mr. HALL. I have very few remarks. I understand that time is limited.

Senator MARTIN. Might I ask this question: You feel this is representative of the members of the bar of the State of Texas?

Mr. HALL. I do for this reason: I was there on the floor when it was passed and there was no dissenting vote. I would suggest there were about 1,600 to 2,000 attorneys there. They came from all over the State of Texas, from every town. There is probably one from almost any bar in Texas.

Senator GEORGE. How many lawyers have you in Texas?

Mr. HALL. We have approximately 12,000.

Senator GEORGE. Is there objection to letting them come in on a voluntary basis?

Mr. HALL. I do not think so. At least, they only recommended opposing the involuntary basis. We would rather recommend it if we cannot get out like the physicians did. We would like to be eliminated from the bill.

Senator GEORGE. You would like to be eliminated altogether?

Mr. HALL. On a voluntary basis, I see no reason why anyone should have any complaint. I think that would be fair. There are, no doubt, some who would like to come under it.

Senator GEORGE. Of course, the social-security people tell us they cannot administer it on a voluntary basis. They always invoke the doctrine of adverse selection, meaning by that that only those who are the poorest risks come in and the better risks who would support the system do not come in.

I feel that professionals like lawyers and doctors and members of other professions ought to come in on a voluntary basis if they wish to. They ought to have the privilege of coming in. I personally do not favor the involuntary coverage of professional men and women under the social-security system.

Mr. HALL. I feel sure because you have not heard from other States that a great many of them have not had their annual conventions. The ABA will not have theirs until the latter part of August. Of course, no one has any authority to speak except from the floor or from the house of delegates. They have not met.

Their answer to the voluntary situation, as I understand it in this report, is that a history of voluntary social insurance on an elective basis in the United States and other countries indicates definitely that only a small proportion of all eligible individuals actually elect to participate. That is the reason why it should not be made involuntary. This is not a relief measure. We have not asked for it.

I will admit that it was mentioned in campaigns that the door might be opened, but it certainly was not mentioned that we were going to be forced to take any such action. To nine-tenths of the lawyers it

would be an additional income tax. There would be very few attorneys who would participate. We contest it on that basis.

Another reason is that it has a tendency to tear down the will that the attorneys have to represent the best interests of the people. It reaches to the heart of the judiciary. In this form of government of ours, of course, compulsory joining of the program would lower guard. Under our constitutional form of government, it would saddle the administration of justice upon the judiciary. Every judge in the United States, both on the Federal and State levels, is a lawyer Every lawyer in the United States is an officer of the court. Without that, of course, the courts could not function properly.

If you force them, this is a measure that you have got to look forward to for 150 years when you pass a law like this. You have to see what effect it would eventually have on the people a hundred years from now. My idea is that it would lower the standards.

Senator MARTIN. Senator Malone, this is Judge Hall of the Texas Bar.

Mr. HALL. We are opposing this compulsory measure in this Social Security Act, Senator. We do have a resolution of which you will have a copy. I have left plenty for the entire committee.

You may ask why we are opposed to it. This is not a relief measure. The sheriff comes up to my residence on Sunday morning and can say, "Are you ready to go to jail?" I can say that I am not. I can write books on why I should not go to jail. But the real answer is still no.

The answer to this is that we do not want it. We have not asked for it. We represent the people in our capacity as their attorneys. We represent their personal rights and property rights. At 55 years of age a man has just built up his profession. Why should he let his guard down and not protect the people like he should if he knows that a hundred years from now he will get $150 or $200? Do you think he will be quite as energetic toward representing his client then?

We do not think you ought to fool—I do not mean you, but the Government—with a blood line of the judiciary and the attorneys. If the lawyers get in destitute circumstances we think you ought to treat us as you do anyone else on a low income basis. We think the law is generally good. We have no idea of contesting the entire statute.

On page 6 of the report where it says special coverage would be extended to self-employed farm operators and so forth, other than physicians, I do not know what terms they got out on but whatever it is, it is good and the lawyers want to get out on the same terms. We would like the bill to state physicians and attorneys. It will not cost much to reprint those words.

I will be glad to answer any questions. I could talk all day. I am only allowed 10 or 15 minutes, and I have used that up. Are there any questions?

Senator MARTIN. Senator George, do you have any questions?

Senator GEORGE. No; I have no questions.

Senator MARTIN. Senator Malone, do you have any questions?

Senator MALONE. I do not believe I have, except I might ask this one. This bill as now written applies to all professional people?

Senator GEORGE. Other than doctors.

Senator MARTIN. Other than physicians.

Senator GEORGE. They got out in the House.
Senator MALONE. It applies to engineers?
Senator GEORGE. Yes.
Mr. HALL. Self-employed farm operators and professional persons other than physicians. They got on the job a little earlier than we did.
Senator MALONE. I do not know that the American Society of Civil Engineers has taken any position.
Senator GEORGE. They appeared here this week.
Senator MALONE. What was their position?
Senator MARTIN. That all depends. Day before yesterday we had an attorney representing the bar of Cleveland. Or perhaps it was yesterday. They very much were on the side of being a part of the plan. So there is a division of opinion about this.
Senator MALONE. Did the engineers take any position?
Senator MARTIN. I do not recall at the moment.
Senator GEORGE. My recollection, Senator Martin, is that the people who appeared here for the engineers took the position that they did not wish it to be compulsory but they would be willing to come in on a voluntary basis.
Senator MARTIN. I believe that is correct.
Mr. HALL. Certainly we would have no objection to that. I will be this fair with the committee: If it was necessary for me to get in touch with each individual State bar association—and I am general counsel of the Texas State bar—I would be glad to do that and also to take it up with the American Bar Association. If the majority of the lawyers in the United States want it, of course we would not object to it. We would just feel like the majority ought to rule. Of course, I still think it ought to be voluntary.
Senator MALONE. I am very sympathetic with what I have just heard this gentleman testify to, Mr. Chairman, that it should not be more than voluntary. Of course, I have not been in the engineering business in 30 years, and I am not familiar with what the engineers would really want if they understood it.
A professional man like a doctor, lawyer, or engineer, if he ever becomes valuable to his profession and himself, becomes valuable between the ages of 45 and 60. If he keeps his health, he is just coming to a position where he can command a good price for his services. I do not personally believe that they should be forced into it.
I just wanted you to know I am sympathetic with what you are saying. I am like you in that I would abide by majority opinion.
Mr. HALL. I do not believe the time has come in this country where anyone should be forced to do anything that he does not want to do unless it is on a tax basis. I will say this to you, that if you pass this bill including professional men with all of them paying it, it will just be more or less an increased income tax on their part. They will never participate.
Senator MARTIN. Judge, we appreciate very much your statement. The next witness is Mr. L. C. Halvorson, of the National Grange.

STATEMENT OF LLOYD C. HALVORSON, ECONOMIST, THE NATIONAL GRANGE

Mr. HALVORSON. Mr. Chairman and members of the committee, the average American farmer is well acquainted with insurance and spends a considerable lot of money for it. In many cases farmers own and operate mutual insurance companies.

NEED FOR EXTENSION OF OASI TO FARM PEOPLE

Farmers are becoming increasingly aware of the need to insure their investment and their family's income in case of premature death. Farmers also want assurance of at least a small retirement income and some financial protection for their wives who outlive them. Not all farmers become owners and not all owners get their mortgage paid off before retirement. Some farmers are concerned with the tax burden created by people who have not set aside money during their working days and therefore become public charges in old age. Also people who become public charges in their old age cannot live out their sunset years in a gracious and satisfying manner.

The Grange has promoted and will continue to promote life insurance for its members. OASI is no substitute for life insurance and vice versa, but they both seek to give protection against the calamities of life and the inevitability of old age.

Farmers seeking protection for their families and assurance of retirement benefits naturally look into what OASI has to offer. Grange members have found that OASI offers basic survivor and retirement benefits at a very, very reasonable cost—sometimes no more than the cost of automobile insurance. If any member of this committee can tell us Grangers where an ordinary farm family can get comparable protection and benefits for the same cost, or anywhere near it, we would be pleased to be told about it. Some of our people feel strongly that farmers should have the same opportunity to have OASI protection as other groups.

OASI is social insurance and therefore of special benefit to low-income people with large families. Farm families tend to be large and farm incomes are much below city incomes. Farming is one of the most hazardous occupations, so low-cost protection is needed.

Our tax-conscious members realize that the tax burden on them of providing social insurance is probably much less than public assistance because under social insurance everyone who is covered is required to make a payment from his current income for his own old age and for the protection of his dependents; also, social insurance is much more desirable than public assistance from the standpoint of maintaining incentive and preserving the dignity of the individual.

We know from statistics of the Department of Health, Education, and Welfare that not all farm people save enough in their working days to take care of themselves in their old age. The truth is that the incidence of old-age assistance (relief) is greater in rural America than in urban America.

DO FARMERS WANT EXTENSION OF COVERAGE?

It was in 1944 that the National Grange delegate body first voted for extension of coverage as follows:

Whereas it is one of the objects of the Grange to maintain better and more secure standards for farmers and farm workers: Therefore be it

Resolved, That the National Grange support legislation to extend social-security benefits to agriculture.

Ever since 1944 the National Grange has favored extension of coverage, though it has expressed some reservation as to feasibility of coverage. However, after careful study of administrative problems, a representative of the National Grange appeared before this committee in 1946 and again in 1949 to request the Congress to extend coverage of OASI to hired farm workers and farm operators.

At our last annual session held last November the delegate body adopted this resolution:

That the National Grange reaffirm its position requesting that old-age and survivors insurance be extended to farm operators if and when a simplified and workable application can be formulated.

You will note that this resolution deals only with farm operators. However, the Grange action of 1950 pertaining to hired farm workers still stands which says:

Resolved, first, that the present old-age and survivors insurance program be amended as soon as possible to cover all farm workers and not only regularly employed.

Second, that the so-called stamp plan previously advocated by the National Grange be used in connection with hired farm workers in order to simplify compliance therewith.

After 10 consecutive annual sessions all asking for extension of coverage, there should be no doubt as to whether or not Grange members are firmly convinced of the desirability of extension of coverage to farm operators and hired men.

In the November 1953 issue of the National Grange Monthly, the lecturer of the National Grange had a page explaining the old-age and survivors insurance program and inviting Granges to send in resolutions directly to the National Grange expressing their sentiments for or against coverage. The number of resolutions asking for coverage was about four times as great as those against.

Since the extension of coverage to self-employed businessmen we have received some letters from older farm people somewhat indignant that while their contemporaries in business are retiring with a nice supplemental income from OASI, they have to struggle along. As we all know, it was possible after the 1950 amendment for a self-employed businessman to retire after 2 years of coverage and to receive, together with his wife, up to $127.50 a month. It looks like rank discrimination to some not to be included.

In some sections of the country, a good number of farm people have earned some OASI credits by having worked in covered employment at one time or another. Many will get no benefit from what they have paid in unless they get a chance to achieve permanent status under a plan of farm coverage.

When I testified before this committee in 1950, I pointed out that in the long run it would hardly be feasible to cover regular farm workers and not cover farm operators sooner or later. The reason

was and still is that some hired men become farm operators, and unless they have had 10 years of covered status they do not have permanent insured status, and in time lose their insured status completely. As there is no provision for refund, it is clear that it would be unfair not to allow a hired man who becomes a farm operator to continue under the program.

Not only does the National Grange experience indicate that farmers favor coverage, but also studies by the land-grant colleges in New York, Connecticut, and Wisconsin.

Is it administratively feasible to cover farm operators and most all hired workers?

This question has been one of the major reservations of the National Grange. We are very pleased with the effort Secretary Hobby and the Internal Revenue Service have made to solve it. We are also pleased with their willingness to accept a workable solution even if it does not meet all the perfections of the modern-day accounting science.

Secretary Hobby pointed out in her testimony that of the 3.6 million farmers about 1 million had a gross income from farming of less than $1,800 in 1953. It is this low-income group that has presented the greatest difficulty in administrative feasibility. They generally do not have sufficient income to be required to keep cost records under our income-tax law and some of the low-income farmers do not have sufficient education to determine their net income. At the same time, it is generally easy to keep full records on sales. Usually the local buying agencies have records of the sales if the farmers do not. We endorse the idea of letting farmers with a gross income of less than $1,800 assume for OASI purposes that half of their gross income is net income.

I should point out that I assume that by "gross income" is meant gross sales and not sales plus the value of produce consumed on the farm. Similarly I assume that the accounting procedure for determining self-employment farm income for social-security purposes will conform as closely as possible to income tax accounting procedure. If this is done it will be a rather simple task for those farmers who are now paying income taxes to also file a social-security tax return.

The most difficult problems will relate to determining what is or is not self-employment income. There will be many borderline cases. I asked some of the OASI people, for example, if a landlord who lets out his land on a share lease is or is not receiving self-employment income. I was told it depends upon the degree of control the landlord exercises over the management of the farm; and that no hard and fast rule based on type of lease could be laid down. With that I agree, but it complicates the administration.

What is or is not self-employment income becomes very important in the retirement test. For example, a farmer who owns a 200-acre farm but has moved to town could enjoy both OASI benefits and income from the farm so long as he does not do much work on the farm or have much or any control over the management of the farm. However, if he crosses the fine line of control all the income from the farm becomes self-employment income and it is likely to be sufficient to disqualify him completely from OASI benefits.

These questions and problems appear so formidable one is nearly discouraged, but apparently there is a workable answer. Self-employed businessmen have now been covered for 3½ years, and about

the same problems have arisen there, I am sure. In fact, the problem may be even more complicated because of the number of partnership arrangements in the business field. Given some time, we believe the Bureau of Old-Age and Survivors Insurance will develop a sound and clear-cut formula for determining self-employment income and retirement.

In collecting social-security taxes we trust the Internal Revenue Service can and will take into account the different patterns of farm income flow throughout the country. The committee report should show this intent.

In regard to coverage of hired farm workers, you will recall that the Grange resolution called for use of the stamp plan as a simple and easy administrative device. When farmers employ a large number of seasonal workers for a short time, the bookkeeping task of complying with the social-security tax could become quite serious if not intolerable. The committee should give the Internal Revenue Service authority to use simplified reporting methods and indicate to the IRS their intention that some simplified method be used if farmers request it.

We believe that under a realistic policy of adjusting reporting methods to the farmers' situation, that extension of coverage to all farm workers earning $200 or more in a year may in the long run simplify administration by eliminating the problem that now exists in determining who is or is not regularly employed.

PROBLEM OF A FAIR START FOR FARMERS

To do complete justice to farmers and other newly covered groups, a "new start" provision should be put in the bill. I argued this quite fully before the House Ways and Means Committee and with the OASI people. Because of the administrative problems that a new start provision would create, this suggestion was not accepted, but my alternative suggestion that the newly covered people be given an extra "dropout" year was accepted.

Farmers have such an erratic income that it is unfortunate that they have to devote 4 of their 5 dropout years to the past, but having 1 free dropout year is better than none. Also accepted was my suggestion that the insured status requirement be changed so that the wives of the newly covered group be eligible for age 65 widow benefits, after the husband had 6 quarters of coverage instead of requiring up to 4 years as in the original bill. We hope this committee will add to and not take away from the start treatment of newly covered groups.

MISCELLANEOUS COMMENTS

There are many issues in social security on which the Grange has no position. In general, I would judge that our members believe that OASI should be held at a minimum level of protection and that it should not become so high as to displace regular individual savings needed for individual enterprise and capital formation. The benefit formula should be held as closely to actuarial principles as possible consistent with achieving the minimum income security for those with large families and/or low incomes. We believe that the Congress should go slow in increasing benefits until the social-security tax is

raised to the actuarial level necessary to cover it. Only then will we know if the people are willing to pay the taxes necessary to sustain the benefits.

From letters and conversations I would judge that our members wholeheartedly approve the changes in the retirement provisions found in H. R. 9366. It is sound and socially desirable to allow OASI recipients to earn $1,000 a year in addition to their OASI benefits. It is also desirable to put employees and self-employed on the same basis.

Many Grange members feel that social-security benefits and private pension benefits now being enjoyed by industrial workers are largely passed on to consumers. If workers by collective bargaining secure higher health, welfare, and retirement benefits, the companies seem to raise their prices simultaneously, or the next week. Sometimes they seem to make it up by paying less for raw materials. Since 1948 the dollars paid to farmers for the items going into the consumer's annual food basket have come down from $498 in 1948 to $445 in December 1953, and at the same time marketing charges have gone up from $496 to $550, so the consumers pay $1 more for the same food basket in spite of the big drop in farm prices. It is doubtful that farmers will be able to pass much of the social-security tax on to the consumers and the economy generally, but yet OASI is a good "buy," and our members want it. Certainly the self-employed tax rate of 1½ times the employee rate is plenty high as applied to self-employed farm operators, and certainly the bill should seek to give farmers and other newly covered groups as fair a start as possible.

I should add also that I forgot to cover in my testimony here that we can see no particular reason for extending OASI to foreign workers who come in from Jamaica. I understand the bill does not extend coverage to Mexican workers who come here under contract, but it still does apply to other foreign workers. We can see no reason for that and would like to have the bill amended so as to exclude all foreign workers.

Senator MARTIN. Mr. Halvorson, you mentioned the cost. What would you think of a plan of levying sufficiently that it would be on a pay-as-you-go basis? Have you discussed that in your group?

Mr. HALVORSON. Our members have not discussed that. I have, as an economist, done some thinking about that. Of course, if we build up a fund it will tend to hold the cost down in the future because of the earnings from the fund. Also, if we keep the rate up higher and closer to the actuarial cost, there might be less pressure to increase the benefits because the cost would be going up right with it.

Senator MARTIN. Of course, as far as the fund is concerned, we have now about $19 billion in the fund, but in a way we do not have a fund like we would in an insurance company.

Mr. HALVORSON. I have studied that question a little bit from the standpoint of the effect on the whole economy. There are a number of people who believe, and I think I am probably one of them, that building up the fund might actually add to the capital structure of the country and that capital will increase productivity of the workers. When a person saves for himself, even though he is not working in old age, the money he has saved is working and he is adding to the productivity of the country.

Senator MARTIN. Right at the present time the fund is just simply Uncle Sam's I O U's. How will it add to the working capital of the country?

Mr. HALVORSON. If the Government buys up some of the savings bonds held by the people, for example the bonds that I own, I would then have that money free to invest in business or some other capital structure of a corporation or otherwise and they would use that money to build machines or factories which would add to the productivity of the country. So even though the Government is buying in its own bonds, it still is releasing capital for the economy in general.

I am not an expert economist. I was on Mrs. Hobby's consultant group. Some of the people there were experts at it. I remember an article written by Mr. Samuel Lincoln, who I think is considered very high in the actuarial field, and who discussed that question. I am not enough of an expert to really answer your question fully.

Senator MARTIN. Thank you very much. I just wanted your idea on it. I thought maybe you had gone into that.

Are there any other questions of the witness?

Senator Millikin?

Senator George?

Senator GEORGE. I have none.

Senator MARTIN. Senator Bennett?

Senator BENNETT. I have no questions.

Senator MARTIN. Thank you very much.

The next witness is H. Willis Tobler, National Milk Producers Federation.

STATEMENT OF H. WILLIS TOBLER, DIRECTOR OF LEGISLATION, NATIONAL MILK PRODUCERS FEDERATION

Mr. TOBLER. My name is H. Willis Tobler, director of legislation of the National Milk Producers Federation. I have a brief statement which I would like to file in the record and then summarize it for you.

Senator MARTIN. Your statement will be made a part of the record.

(Mr. Tobler's full statement is as follows:)

STATEMENT OF H. WILLIS TOBLER, DIRECTOR OF LEGISLATION, NATIONAL MILK PRODUCERS' FEDERATION

As director of legislation, I am appearing on behalf of the National Milk Producers' Federation to present our views on certain aspects of the proposed legislation in the bill H. R. 9366. The National Milk Producers' Federation is the oldest and largest agricultural commodity organization in the United States. It is the only national organization devoted exclusively to dairy producers and their cooperatives throughout the Nation. The federation has over 100 direct member associations and approximately 600 submember groups, with a total membership of one-half million dairy farmers. These dairy farmers and their cooperatives process and market about one-fifth of the milk sold annually from farms in the United States.

For many years the National Milk Producers' Federation has gone on record in support of the old-age and survivors insurance program under the Social Security Act. At our annual meeting on November 12, 1953, the voting delegates adopted a resolution reiterating their past position and urging that Congress amend the present law so as to include all farm employees under the coverage of the old-age and survivors insurance program and to permit farm owners or operators, at their option, to participate in such program.

In view of our previous testimony to this committee in connection with this issue, we do not think it necessary to submit a lengthy statement at this time. However, we have a few observations to make.

We recognize that certain administrative difficulties possibly will be encountered in extending coverage of old-age and survivors insurance to all farm employees. This is particularly true with respect to seasonal, part-time, or migratory farm labor because of the transitory nature of such employment. The occupational and geographical mobility of this labor force does present a problem. We are hopeful that on the basis of the experience gained under the present coverage of regularly employed farmworkers solutions may be found to the possible administrative difficulties.

In the case of farmowners or operators, provision should be made for their inclusion in the old-age and survivors insurance program, but there should be freedom of choice by the individual owner or operator as to whether or not he desires to participate in such program.

The occupational stability and earning capacity of some farm owners or operators make it possible for them to provide for protection against the economic hazards of old age and death by savings and private insurance programs, in addition to the traditional method of building up an equity in farm property. In view of the variations and differences in types of farm ownership and operation, it is our opinion that an old-age and survivors insurance program should be optional. We urge that the bill H. R. 9366 be amended so as to give farm owners and operators the right to make a determination as to whether or not they desire to participate in the program.

In supporting the principle of the old-age and survivors insurance program of the Social Security Act, we want to make clear that we do not subscribe to the doctrine that the receipt of earned benefits is dependent upon the status of retirement of the insured. We hold that at the prescribed retirement age the insured should as a matter of right receive the full benefit payment, notwithstanding the fact that he continues to be gainfully employed in a covered employment.

The old-age and survivors insurance program provides a means whereby the insured is able by periodic contributions to build up a savings fund which at a fixed date immediately should be available for benefit payments to the insured or his beneficiary without a condition precedent. It may be that, due to infirmities of old age, the insured is unable to continue to work, or he may be blessed with good health but desires to withdraw from the competitive field of work and spend the remaining years in leisure and casual activities, or he may prefer to continue to work as in the past. In any event, whatever decision the insured may make, the right to the savings fund and payments therefrom must be an absolute right without regard to the employment status of the insured.

In this connection we note that the bill, H. R. 9366, does make some effort in this direction by permitting a limited increase in earnings without affecting the amount of monthly benefits to be received. However, we respectfully recommend that no limitation be imposed on the right of an individual to continue to be gainfully employed after arriving at the retirement age.

Mr. TOBLER. Our organization has adopted a resolution on this subject for each of several years. The most recent one was last November. It consists of three parts. One is with respect to farmworkers.

We support the provision in the present bill extending it to more farmworkers than presently covered. Previously, when we testified on this subjcet when the Congress was considering including regularly employed farmworkers under the old-age and survivors insurance program, we did raise some reservations and questions about administrative difficulties, particularly with respect to seasonal and migratory workers. However, at that time the Congress limited it to regularly employed farmworkers. Today we believe that on the basis of the experience gained in the present program probably the administrative difficulties that might be encountered by extending the program to more farmworkers will be solved. Therefore, we support the provision of the present bill.

My second point is with respect to farm operators. We have gone on record for the extension of the old-age and survivors insurance program to farm operators, and Senator George, I was very pleased to hear your comments with respect to the voluntary aspect of it. Our

position is that this extension should be on an optional basis. I hope that your comments apply to farm operators as well as professional people. We feel that farm operators or owners or self-employed, as it is called in the bill, should be on an optional basis, whether they wish to join or do not. To that extent we would urge that the bill be amended to make it optional on the part of farm operators to participate.

No. 3, we feel very strongly that there should not be a restriction on the benefits or the amount of benefits that a beneficiary is to receive at the age of 65.

In other words, we feel that a certain right has been acquired by the recipient or the beneficiary, and at the age of 65 he should receive the full amount of his benefits irrespective of the earnings or the income that he earns after 65. We feel that by reducing or limiting the amount of benefits a premium is placed on idleness. Where a man wants to continue to work—some do not want to, but some do—he should still have the right of having the entire amount of the benefits. The bill before you does go in that direction. It does increase the amount of income that he might receive at the age of 65.

Senator MARTIN. As I understand, you would not put any ceiling on the amount he could earn.

Mr. TOLBER. That is correct, Senator Martin. We feel that he has that right as in any insurance policy, and we hope some time the Congress will provide that right. We have testified on that before and I realize some of the objections that have been raised. I also recognize the objections that have been raised with respect to putting it on a voluntary basis. However, I think that it is still sound and that is our position.

The CHAIRMAN. Mr. Chairman.

Senator MARTIN. Senator Millikin.

The CHAIRMAN. There is a lot of sympathy in this committee, I know, for that thought. I know among other things we have had a very strong financial objection to it because it would increase the cost of your system very substantially. I do not recall the exact figures now, but it would increase the cost of the system. I think that has been one of the main objections to it.

Mr. TOBLER. Yes, we recognize that. We have been told that. However, our farmers feel they would be willing to pay more if that is true and to have something definite at the age of 65.

Senator BENNETT. Of course, Mr. Tobler, it is true that under the social-security system some people get the benefits without having paid anything like a proportionate share of the cost of them, as would not be the case in private insurance. A man has to pay his share of the cost or he does not get the benefits.

There has to be some cushion in there to make it possible for the system to operate. Otherwise, the tax rate would probably have to be raised to the point where there would be substantial objection to it.

Mr. TOBLER. I do not doubt that there would be some objection if it is true it would be raised that much. We, of course, are not qualified to analyze that. It may be true that there would be some objection, though to the extent that our farmers have considered this, that is their position.

Senator BENNETT. Would they be willing if that kind of provision were put in the bill to agree to make up to a certain minimum cost if

they retired before they had paid a certain minimum? That is probably an irresponsible suggestion. I do not think anyone is thinking about it. But we have to recognize that this is social security rather than a system of personal insurance. There are some fundamental differences.

Mr. TOBLER. I recognize that.

Senator MARTIN. Are there any questions, Senator George?

Senator GEORGE. No questions.

Senator MARTIN. Senator Millikin?

The CHAIRMAN. I have no questions.

Senator MARTIN. Thank you very much.

If the committee would indulge me, Mr. Michael Cariola is not listed as a witness this morning but he represents the blind of Pennsylvania. If there is no objection, I would love to have him be heard.

The CHAIRMAN. Certainly.

Senator MARTIN. All right. You may proceed, Mr. Cariola.

STATEMENT OF MICHAEL CARIOLA, PENNSYLVANIA ASSOCIATION FOR THE BLIND

Mr. CARIOLA. My name is Michael Cariola. I am from Chester, Pa. I represent all the organizations for the blind in that State; the Pennsylvania Association for the Blind, the Pennsylvania Federation of the Blind, the Pennsylvania State Council for the Blind, department of welfare, and the Pennsylvania Working Home for Blind Men.

Mr. Gus Wachhaus was to have made this presentation.

Senator MARTIN. I might say to the members of the committee that Mr. Wachhaus has been a very valuable member of the Pennsylvania Legislature through a long period of years. He operates his own business and has been successful and has had probably about as much to do with certain provisions that we have made for the benefit of the blind in Pennsylvania as any citizen that we have.

While we are awfully glad to have you, Mr. Cariola, I wish you would tell him that I am very sorry that he did not appear because it would do me a lot of good to meet him again. I have not seen him for the last couple of years.

Mr. CARIOLA. I am sorry he was not able to make it, too.

Senator MARTIN. You understand the situation. Proceed.

Mr. CARIOLA. He asked me to represent him. If I could have your permission, I would like to have Mrs. Howard read my statement to you.

Senator MARTIN. Your statement will be inserted in the record and if you want to make any comments, go ahead and make them, or whichever you prefer.

Mr. CARIOLA. I would just as soon have Mrs. Howard read the statement.

Senator MARTIN. All right, she may read the statement.

Mrs. FRANCES HOWARD. Thank you.

Mr. Chairman and members of the committee, I am speaking on behalf of the more than 15,000 who have been recipients of aid to the blind in my State since the passage of its aid-to-the-blind law in 1935. We feel our law in Pennsylvania is one of the best and most enlight-

ened programs of aid to the blind anywhere in the Nation. This program has been consistently supported by the administrations of Governors Earle, James, Martin, Duff, and Fine.

Pennsylvania was 1 of 2 States which were refused Federal reimbursements under the Social Security Act until 1951. The refusal of the Social Security Administration to pay reimbursements arose out of its insistence that the State law be changed so that no aid to the blind, even though paid directly at State expense, should be given to blind persons who did not meet the stringent means test imposed under interpretations of title X of the Social Security Act. Pennsylvania, like Missouri, the other State which was refused Federal funds, declined to abandon its liberal program and forgo giving needed assistance to a group of blind persons in the State who would have been rejected for federally contributed funds. At no time was it ever proposed that the State expend any Federal funds in payments of aid to any individual who did not qualify under the Federal requirements. Pennsylvania was literally denied Federal contributions because it would not surrender its right to use State funds exclusively to assist blind persons in the State who were not eligible under the Federal law.

In 1950 Congress adopted an amendment to the Social Security Act which specifically qualified Pennsylvania, along with Missouri, for receipt of Federal reimbursements for all those cases in the State who were eligible for assistance under the stringent conditions of eligibility laid down under the Federal law. This provision of the 1950 amendments is to be found in section 344 of the amendments act. It provided in substance that the States of Pennsylvania and Missouri should receive Federal reimbursements under the aforementioned conditions until June 30, 1955. It was assumed that by that date Congress would have taken action to overhaul the provisions of the Federal law so as to clarify for all time the right of a State to use its own unmatched funds for programs of assistance not participated in by the Federal Government. Unfortunately, Congress has not yet acted to make this fundamental change in title X of the Social Security Act. The cutoff date of June 30, 1955, remains in effect as an ever-existing threat to the aid-to-the-blind program of Pennsylvania and of Missouri.

H. R. 9366 proposes that the cutoff date be postponed for but 2 years. This proposal does not remove in any degree whatsoever the threat of severe financial loss to Pennsylvania, which now spends for aid to the blind out of its own treasury twice the amount which is contributed by the Federal Government. Unless the cutoff date is removed entirely from the Federal law, as proposed in S. 1779, introduced by Senators Martin and Duff, the further development of the State program and the ability of the State to puts its program on a firm financial basis will be severely restricted.

In the name of all of the organizations in the State of Pennsylvania which are concerned with the welfare of the blind, I urge you to adopt the provisions of the Martin-Duff bill into H. R. 9366. It is a matter of simple justice to Pennsylvania and to the blind people of the State that Congress freely recognize the right of the State to spend its own funds to assist individuals of its own choosing so long as Federal funds are not utilized in support of any individual who is not eligible under the conditions laid down for Federal reimbursements,

The dual system of aid to the blind which now exists in Pennsylvania has proved itself to be invaluable to the blind people. The destruction of this system would be a tragedy. It is clear to us that the citizens of Pennsylvania contribute their fair share to the Treasury of the United States. Indeed, 10 percent of Federal taxes are collected within the borders of my State. The citizens of Pennsylvania are entitled to share in the benefits of Federal taxes collected from them which may be returned to the State in Federal grant-in-aid programs, so long as the State program meets the conditions of the Federal law. Pennsylvania has a program of aid to the blind which does meet those conditions. The State, we insist, has a right to the continued receipt of Federal reimbursements. To make certain that its right is granted and that justice is done, both to the State and to its blind people, we urge that the cutoff date which is merely postponed in H. R. 9366 be eliminated entirely from the law.

Senator MARTIN. Are there any questions?

Thank you very much, Mr. Cariola.

I am putting in the record a statement of the National Association of Manufacturers in lieu of a personal appearance.

(The statement referred to is as follows:)

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

NAM welcomes the opportunity to present its views on the proposed amendments to the social-security program contained in H. R. 9366. The members of the NAM employ many of the people whom the OASI program was originally designed to serve. In addition, the employees and employers in manufacturing industry pay a considerable share of the cost of the program.

As businessmen and citizens we are concerned with the public policy on old-age security and its implications to the well-being of our country. The activities of the National Government in this field touch on the social, political, and economic forces which have, under our unique American system, resulted in a high degree of personal economic security. We are interested in defending the vitality of those forces and in defeating policies and programs which would tend to weaken them.

Our views on the OASI program have been developed after careful consideration and in the light of years of continuing study. However, we recognize that no fixed or final view in these matters is either possible or desirable. What may appear to be a desirable course of action in 1935 or 1954 is not necessarily sound over the long pull; our national experience in the last 10 years confirms the validity of that proposition.

SUMMARY OF POSITION ON H. R. 9366

NAM believes that the OASI amendments contemplated in H. R. 9366 should not be made. We believe that the country so badly lacks basic information on the vital issues and problems involved that any permanent and irrevocable steps should not be taken, particularly during the unique pressures of an election year.

OASI AND THE FUTURE

The OASI program was enacted under the stress of severe economic depression. It was not supported by adequate objective facts and was predicated on erroneous economic assumptions. In the light of information presently available, there is considerable doubt that such a Federal OASI program would be selected were America today to formulate for the first time a national policy in this field.

It will be recalled that in the early years of the depression, a new economic theory had come into favor. Men imagined that a mature economy had arrived, not simply a setback in an expanding economy. This new economy was supposed to be characterized by excess productive capacity and a permanent surplus labor force.

Thus it was assumed in 1935 that the growing number of the aged, together with reduced employment opportunities for the younger, presented a problem which could be solved partly by inducing the aged to withdraw from the labor force. It was also assumed—on the basis of admittedly sketchy information—that the means of support of those aged already without work and of those who would be induced to leave work, were not sufficient to support them in retirement.

It was concluded that there would be a continuing need in the future for income protection for the retirement years of those presently productive. Some believed that the economy and individuals would not supply that need without compulsion. These people assumed that the National Government was the only agency capable of meeting that need. This was the basis for adoption of OASI.

Are we—in the foreseeable future—likely to be heading toward the static economy envisioned by those who sponsored OASI? We do not believe so.

The Census Bureau predicts that our population in 1975 should total between 198 million and 221 million people. This is an estimated net increase of 38 to 61 million people in the next 21 years—a single generation.

We all acknowledge a general inability to correctly forecast the future. However, if such a population gain does occur—and our previous tendencies have been to underestimate—imagine the tremendous impact on our consumption of goods, on employment, on productive facilities, on construction, communications, education, capital requirements and so on. If we avoid unwise moves—and pursue a smart course with vigor—the potential of the future can be realized—particularly in terms of an increased standard of living for all.

What of the aged in this future? We believe that we can expect a change for the better in the prospects of the aged.

The children of today—the aged of the future—have many advantages in education, nutrition, medical care, a variety of vocational opportunities, and community efforts on their behalf. Even today, the average level of well-being of the elderly, both physically and mentally, is moving upward. With the future benefits of better nutrition and modern medicine, the prospects are that the aged will be fitter and spryer, better able and better prepared for the future than ever before.

Given the right economic climate, we believe that most Americans will be better able to take care of themselves in the future than ever before. This suggests that a social-security system designed in 1935—under the extreme economic pressures of that time—is not necessarily the most effective solution nor as all-important for the aged of the future. Our planning must recognize the undoubted probability that there will be considerable difference in the condition, circumstances and opportunities of the aged 25 years in the future as compared with those of the aged today.

LACK OF PERTINENT DATA A LIMITING FACTOR

Although our fund of significant information in the general field of old-age security is increasing, the supply of valid facts regarding the conditions and resources of the aged is amazingly meager. This was true in 1935 when the Social Security Act was adopted; it is true today.

The past 19 years' experience is replete with evidence that projections of cost, population, birth and mortality rates, and so on, which were used to justify the social-security program, are subject to major inaccuracies and uncertainty. These facts point to the great need for extension of basic research in this broad field. Our economists and social scientists bear a major responsibility in this regard.

After 19 years' experience under OASI, there still is not sufficient information to determine the ultimate feasibility of the program; for example, there is lacking any close knowledge of the ultimate cost even of the present scale of benefits, of the willingness of those productively employed a decade or two hence to pay those costs, and of the economic resources and needs of those reaching older years in that same future period. Because OASI is an unproven social experiment, the people must be in a position to evaluate the whole picture before reaching hard and fast conclusions about its retention, expansion, contraction or cancellation.

OASI—A SOCIAL EXPERIMENT

The experimental nature of OASI should not be ignored, even though its existence as a permanent institution may be taken for granted. At the same

time, recognition of its experimental nature does not mean that we are committed to incessant tinkering with it.

Thorough consideration was given the program by the Congress in 1949-50 and sweeping amendments resulted; again in 1952 changes were made—but this time without public hearing. There is overwhelming necessity for observing OASI under operation for a considerable time, without casual modification or upset.

We believe that amendments should not be made without the most compelling reasons, and we see no compelling reason at this time.

GENERAL COMMENT ON THE IMPLICATIONS OF H. R. 9366

Viewed as a package, we believe that the amendments proposed in H. R. 9366

1. Conflict with the objectives and principles of the OASI program;

2. Transform that program into an ever-growing threat to American institutions; and

3. Make certain that complete modification of our present national approach to old-age care will be necessary in the near future.

These observations are made in all sincerity and with full appreciation of the possible reaction against them. We respectfully request your consideration of the reasons which support them.

The long-range commitments made by the OASI program must be kept in every moral and legal sense if the America of the future hopes to justify the faith and respect of its citizens. Yet, because of election year pressures, it is proposed to liberalize the program in hasty fashion on the assumption that brief hearings and reports satisfy the need for mature consideration.

Because the immediate result of these amendments will favorably affect many citizens and because the day of reckoning is in the future, the popular reaction at present is a sure-fire success. When we face the social-security dilemma of contemporary France—and we are heading in that direction—what will be the reaction when the necessary correctives are announced?

These proposals, following closely after those of 1952, suggest strongly that each election year will result in bigger and better social-security amendments. Is that consistent with the objectives and principles of a sound social security program?

Perhaps too much has been asked of a contributory, wage-related, variable benefit program designed to employ incentive features and to avoid the mistakes of European programs. Yet it must be clear that past and projected amendments to the program are building pressures which will tear it apart.

Today's bargain benefits—with the cost passed on to future wage earners—today's easy eligibility requirements are sugar-coated for us, but how about our children? Will they think us wise and foresighted or will they condemn us for our generosity to ourselves at their expense?

The projected amendments promise another development which will not require so long to bear fruit, namely, that they move further in the direction of making OASI the major source of retirement income and away from the basic minimum subsistence concept which heretofore has been a major characteristic of the OASI program.

This development is best illustrated by the benefit and wage-base provisions of the bill. Taken all together, however, the entire package repudiates the original OASI concept of limited replacement of wage loss occasioned by age among the members of the industrial and commercial labor force.

For example, the majority report on H. R. 9366 indicates that the proposed benefit formula will provide benefits of 31 percent of earnings for an individual with $350 per month average earnings. However, most of us who are married regard the total benefit paid man and wife as the appropriate retirement benefit amount to consider.

Under H. R. 9366, combined man and wife benefits would result in a retirement benefit of 46 percent of earnings at average monthly wages of $350; of 49 percent for earnings of $300; of 51 percent for earnings of $275; and 53 percent for earnings of $250, with much higher percentages at lower amounts.

The figure of 51 percent for average monthly wages of $275 is especially interesting because $275 per month or $3,300 per year is presently the median earnings figure for covered employees. If we understand the term median correctly, it means half the covered employees earn less than this figure and half earn more.

To us, this indicates that substantial numbers of OASI beneficiaries and their wives may receive a Government annuity payment in excess of 50 percent of

earnings. Because this payment is tax free, its real value is much greater. Thus, practically every man and wife drawing benefits based on earnings up to the wage base will receive a payment in excess of 50 percent of earnings.

This is no basic minimum subsistence payment—this is the "adequate" benefit so long sought by the proponents of complete federalization of old-age care in the United States. When an additional 10 million people come under OASI, as proposed in H. R. 9366, we will have the addition of many whose entire earnings will be subject to OASI tax and benefit eligibility.

Under circumstances where an annuity payment of 50 percent of earnings is provided by Government, what incentive exists for an individual to provide for his own future security? It is obvious that this will result in the wage earners being thrown into the hands of the Federal Government for the provision of their retirement security.

It is clear to us that these effects of H. R. 9366 are inconsistent with present pending legislation in the internal revenue field which aims to provide some additional incentive for employers to establish private income security programs, including pension plans.

May we commend to your attention the recent remarks of Dr. Alan Moncrieff, director of the Institute of Child Health at the University of London. Dr. Moncrieff spoke before the Seventh International Conference of Social Work in Toronto on June 28, 1954, on the topic "The Meaning of Self-Help in Social Welfare." Some of his pointed remarks may provide a perspective for us in analyzing the trend of social welfare legislation in the United States. He was quoted in this speech by the New York Times as follows:

"Freedom from want has been removed, with perhaps some sacrifice of other freedoms, for only by state intervention has it been possible to guarantee certain benefits. The danger is that in the evolutionary process the implications have not been sufficiently explained.

"There is serious evidence that to some degree the traditions of mutual help among the lower economic levels and of public service by the better educated are tending to disappear. The public is demanding and accepting rights without accepting necessary responsibilities or obligations. There is an added danger that the demand is not for minimum or basic benefits but for the optimum."

Gentlemen of the committee, it is our considered opinion that the amendments proposed in H. R. 9366 will cause our social security program to develop these same unfortunate weaknesses in our society which Dr. Moncrieff has painted as having developed in Britain.

Originally, OASI was a pretty rational pension scheme. In the course of several amendments, some of its desirable characteristics have been changed. Today little attention is paid to the fact that benefits bear only a limited relationship to contributions. There is a definite tendency—illustrated by the proposals in H. R. 9366—that OASI can carry almost any kind of free-riding addition to the original concepts of eligibility. Each move in this direction will facilitate subsequent and similar changes. If this thinking prevails, OASI will get utterly out of hand.

COMMENT ON SPECIFIC AMENDMENTS PROPOSED BY H. R. 9366

Coverage

We recommend avoidance of hasty action to attain universal coverage of all gainfully employed.

Those who recommend universal coverage seem to favor such a position on the grounds that: (*a*) its lack makes necessary the continuation of large-scale Federal-State relief programs; (*b*) it is not reasonable or equitable to continue exclusions from the basic program; (*c*) it may cost less in the present; and (*d*) it would tend to accelerate the reduction of old-age assistance costs. While some of these arguments are reasonable and logical and seem to be supported by evidence, on balance other considerations definitely outweigh them.

The OASI system was designed for, and is best adapted to, the income protection of employees in industry, who characteristically are productively employed for much of their lifetime but retire from employment some years before they die. It is not well adapted to the needs and living habits of other groups of the working population. Partly for that reason, large groups were and are excluded from OASI. It is doubtful that the self-employed (who were brought into the system in 1950) are best served by compulsory membership in OASI.

The proposed inclusion of these other groups poses definite problems not previously present in the OASI system:

(*a*) Universal coverage would bring in a large share of those to whom a reasonably set retirement age or income test is inappropriate.

(*b*) Modification of the retirement test to suit them may convert the whole program into an age bonus rather than a subsistence payment for those necessarily leaving the labor market—and at high cost.

(*c*) Universal coverage will not solve the problem of old-age assistance since it adds only a modest number of beneficiaries and in all likelihood would continue to exclude the true chronic poverty stricken.

In fact, adequate study of alternative means for stimulating old-age independence may produce better alternatives than OASI coverage for those not now covered. In this situation, the more doubtful the suitability of the OASI program for particular uncovered groups, the more deliberate and thorough should be the study of the real effects of their compulsory inclusion.

The claimed savings to present contributors of OASI (as a percent of payroll) to be achieved by extension of coverage seem a doubtful long-run advantage. Actually, this is a special meaning of cost. This very claim of savings is based on the assumption that these potential new membership classes will more than pay their appropriate share of the cost of the system. They would thus be required to subsidize it at the very time when they are more doubtful of benefits than other population groups.

New light is cast on this question of extending OASI coverage by recent data from the Social Security Administration in which estimates are made of the proportion of the aged population receiving OASI benefits, or supported by earnings under present coverage and universal coverage. These estimates indicate that legislative action to attain universal coverage is relatively unnecessary.[1]

Retirement test

We recommend that no change be made in the present retirement test which establishes a limit of $75 per month on the earnings of OASI recipients.

NAM believes that older workers represent countless years of rich and seasoned experience, judgment and stability, and constitute an immensely valuable asset in the Nation's work force. We continue to urge employers to observe voluntary hiring practices which give consideration to skills and abilities, rather than to any arbitrary age factors.

We believe that economic conditions will determine whether or not an older individual seeks work or claims OASI benefits. Therefore, liberalization of the retirement test can be expected to have little effect on the individual's decision to seek full time employment.

Before making a change in the retirement test we should be cognizant of the cost involved—there is a dearth of statistical data to show the possible results on a long-range basis. In any case, the instant proposal moves further in the direction of the simultaneous payment of benefits and wages—indefensible in a social-purpose program.

It may be argued that the test should be put on an annual basis—as it now is for the self-employed. We believe that an annual basis is the only practical method of policing the test for the self-employed. However, we believe that application of the same policy to all OASI beneficiaries would not be administratively feasible and would be impossible to police.

Benefits

Federal old-age insurance benefits are only a substitute for gainful employment or a supplement to private provisions; they are tremendously expensive; and they should not discourage working and saving. For these reasons, the program should provide only basic minimum subsistence benefits.

We believe that the OASI program should be capable of adjustment to gradually changing conditions. It should permit periodic evaluation to determine whether or not basic objectives are being met in a fashion as economical and humane as possible. But, while benefit amounts should be subject to reappraisal from time to time in the light of program objectives, they should not be changed in response to relatively short-term changes in the cost of living.

NAM believes that the proposal for benefit increases contained in H. R. 9366 must be appraised carefully on the basis of the tests we have proposed, with attention to the costs and future liability created by the increases.

[1] See table 2, p. 30, A Report to the Secretary of Health, Education, and Welfare on Extension of Old Age and Survivors Insurance to Additional Groups of Current Workers, U. S. Department of Health, Education, and Welfare, Washington, 1953.

Since July 1952—the date of the last OASI benefit increase—the consumer's price index has increased only from 114.1 to 115.0 (reported on June 22, 195). This is an increase of less than 1 percent. However, H. R. 9366 proposes to increase (for present beneficiaries) minimum primary benefits from $25 to $30—an increase of 20 percent; it proposes to increase the maximum primary benefit from $85 to $98.50—an increase of about 15.8 percent; it proposes to increase maximum family benefits from $168.75 to $200—an increase of 18.5 percent.

Changes in the cost of living do not justify these increases—as may have been the case in 1950 and 1952. Neither do we believe that program objectives require such increases at this time—particularly in the light of the possible ultimate cost.

It has been estimated that the proposals embodied in H. R. 9366 will increase long-run costs by more than one-half of 1 percent of covered payrolls (based on the increased taxable wage base). There is little understanding that OASI costs are temporarily nominal only because less than one-third of the present aged are now beneficiaries of the program and because we do not accumulate full actuarial reserves for present contributors.

Another provision of H. R. 9366—the proposal to eliminate up to the 5 lowest years of earnings in the computation of average monthly wages—will tend to increase both benefits and costs. Taken in conjunction with the bill's provision for increased coverage, this acts as another "new start." If adopted, this provision would create another situation similar to that of 1950—many new entrants would qualify for benefits having made little or no contribution. We believe this further distorts the relationship of benefits to contributions which is supposed to distinguish OASI from a flat benefit or noncontributory program.

Financing

We recommend that OASI retain the present taxable wage base of $3,600 and that future payroll-tax increases be postponed until program outgo is substantially equivalent to income.

The recommendations in H. R. 9366 for benefit increases and for an increase in the taxable wage base appear to be interdependent. Since we feel that the proposed benefit increases are unwarranted so also do we take exception to an increase of $600 in the taxable wage base.

Some will doubtless claim that our opposition to an increase in the wage base traces to unwillingness of employers to pay the additional tax required. May we point out that NAM, by resolution of its board of directors on October 29, 1953, supported the increase in OASI tax rate from 1½ to 2 percent effective January 1, 1954. This action was taken for two reasons:

1. Because there were indications of an excess of outgo over income under program operations in the near future; and

2. Because, consistent with the balance of our position, we did not believe that program provisions, including the tax schedule, should be tinkered with at this time.

We view the proposed increase of $600 in the wage base of much greater significance than simply opposition to additional tax, although we must point out that increasing the wage base when added to the OASI tax increase of January 1 results in a total $30 tax increase during 1954 for those earning $4,200 or more, and for their employers. This seems to be sharply inconsistent with the program of tax reduction pledged by the present administration.

We think that the instant proposal to raise the wage base $600 is thoroughly unsound, for the following reasons:

1. It cannot be justified in terms of program principles, but rather, does violence to the principle that the program should provide basic minimum subsistence benefits.

Impressive statistics have been cited by the proponents of the increase to attempt to prove their case. To us, those statistics indicate that the present wage base is realistic in terms of:

a. average annual earnings in manufacturing (about $3,723 at present);

b. average annual earnings per worker in covered employment ($2,587 in 1952);

c. median earnings of covered employees ($3,300 in 1953).

In addition to statistics the proponents have attempted to relate the amount of the wage base to a "principle" supposedly followed by the Congress in determining what that amount should be. It is well known that the $3,000 wage base selected in 1935 and the $3,600 amount selected in 1950 were the product of compromise. The proponents have gone further in an attempt to restate

a theory of wage base determination. On page 108 of the hearings on H. R. 7199, Assistant Secretary of Health, Education, and Welfare Perkins is quoted:

"To restate the theory of the wage base, it seems to us that, for the majority of workers, all of their earnings ought to be covered; that, in the worker category, the average worker in a manufacturing industry ought to have all or substantially all of his earnings contributing to his ultimate benefit."

Curiously enough, the present wage base meets the requirements set down by Mr. Perkins when measured against the earnings figures we mentioned a moment ago.

If such a theory should become accepted, along with the proposed benefit formula and tax schedule, OASI will lose its basic subsistence character and become a substantial source of retirement pensions for covered employees. This raises a second major objection to increase of the base:

2. Increasing the wage base moves further in the direction of applying the OASI tax to the entire annual earnings of the contributors.

Under such circumstances the higher income groups are forced to subsidize socialized benefits for lower income groups to an even greater extent than heretofore. That this undermines the wage-related structure of the program was recognized by Congressman Curtis of Missouri during hearings on H. R. 7199. He said:

"* * * when you get into this weighted benefit formula and when you find that the higher wage groups do not get out proportionately what they pay in and the higher they get, the less the proportions, you are completely away from the relation of payments made to benefits to be received."

That the projected wage base increase will produce more in tax revenue than will be needed to finance the benefits of those earnings between $3,600 to $4,200 was admitted by administration spokesmen during hearings on H. R. 7199. Despite denials to the contrary, one wonders if the wage-base increase was not proposed solely to finance the benefit increases for all beneficiaries, rather than a rate increase applicable to all.

It is well recognized that the only restraint against unwarranted benefit generosity is a rate increase coincident and commensurate with benefit increases. In an immature system such as OASI the temptation to defer such steps and pass cost problems into the future must be resisted strongly.

The higher paid individuals, forced by this bill to carry a disproportionate share of the load, have been given benefit concessions which raise a fundamental question: Do the purposes of the program require that such individuals be paid higher benefits? This leads to a third indictment of the increase in the wage base:

3. Increasing the wage base brings the OASI program into an area which should be taken care of by individual and private provisions.

The minority report on H. R. 9366 by 2 members of the House Ways and Means Committee states this point in eloquent fashion. We quote:

"Private arrangements for security, in contrast with the sterile taxing and spending processes of social security, are an integral part of free enterprise and provide the funds for capital investment upon which our economic system is based. Private thrift and insurance purchases also provide a flexibility of protection adaptable to the particular needs of the particular family. This flexibility is impossible under social security. Furthermore, security privately achieved by voluntary action, as contrasted with unnecessarily inflated compulsory social security, is compatible with our traditions and our way of life.

"Thus even though social security were in fact bought and paid for by the individual and his equities, typical of free enterprise, were preserved, it would violate our basic principles to extend its taxes and benefits beyond the levels required to meet its purpose of providing a minimum floor of protection against destitution.

"The bill's provisions extending the system's taxes and benefits to earnings in excess of the present $3,600-per-year limit manifestly raise the fundamental issue of whether we shall progressively depart from the original purpose of the system. The proposal assumes that the $4,200 man requires more compulsory, publicly provided protection than does the $3,600 man. The next step, already proposed and urged, is that of providing still greater Government protection for the $6,000 man than is provided the $4,200 man. There is no stopping point when one accepts the philosophy of more and more compulsory reliance upon the State, with the corollary of less and less reliance by the individual upon his private voluntary arrangements."

NAM believes that the OASI program must obtain its revenue by means of a payroll tax shared equally by employers and employees. No Government subsidy ought ever to be permitted in the OASI program. We were happy to see the present administration reaffirm this principle during House hearings on the present bill.

Defrayment of any degree of benefit expenses out of general revenues or some other form of special taxation not primarily connected with employment would not be consistent with the obvious need to key the program to individual responsibility and personal incentive. Cost control in such a situation would be extremely difficult; individual and group responsibility for restraint in benefit generosity would be reduced.

Such a course could lead to eventual complete Federal control of old-age care. Since it is desirable to minimize the role of the Federal Government and place maximum responsibility on the individual, it is clear that Government subsidy would negate that principle. A Government subsidy provides a handy way of increasing benefits without a commensurate increase in payroll taxes; it tends to cover up the cost of benefits and shift part of that cost onto other revenue sources. Requiring the program to be fully self-supporting seems to be the most effective brake on the adoption of unsound benefit schedules.

NAM believes that the OASI program must be financed substantially on a current cost basis. A reserve fund similar to those of private insurance companies is unnecessary as a component of a Federal old age insurance program. The present process of reserve accumulation at the Federal level may involve questionable practices from the Government finance and budgetary standpoint and may promote demands for unwarranted benefit liberalization or diversion of excess revenues to other uses.

Until experience demonstrates that a reserve fund may be reduced or dispensed with, the OASI program should retain a reserve in Government bonds not significantly in excess of the amount of the present fund.

Contributory tax rates for the program should be neither so deficient as to permit continuing deficits, which may invite supplementation from general tax revenue, nor so in excess of impending expenditures as to increase materially the present reserve fund.

Old age assistance

The provision of H. R. 9366 which continues the 1952 increase of $5 in the Federal OAA matching formula for 1 more year should not be approved. The need is for gradual reduction and eventual elimination of Federal OAA grants; permitting the 1952 increase to expire on schedule would be a concrete demonstration of Federal intention to begin reducing these temporary grants.

We thank you for the opportunity to present our views.

Senator MARTIN. I am pleased to acknowledge the presence in the audience of Hon. M. Vashti Burr, deputy attorney general of Pennsylvania; Mr. W. L. Windsor, director of the Pennsylvania Bureau of Social Security for Public Employees of the Department of Labor and Industry; and Mr. William G. Williams, counsel for the bureau. In lieu of oral testimony Mr. Williams is filing a written statement for the record, suggesting an amendment to the House-passed bill relating to the coverage of public employees. Mr. Williams, you are assured your amendment will have careful consideration by the committee.

(The statement is as follows:)

AMENDMENTS TO H. R. 9366 PROPOSED BY WILLIAM G. WILLIAMS, COUNSEL, AND W. L. WINDSOR, EXECUTIVE DIRECTOR OF THE BUREAU OF SOCIAL SECURITY FOR PUBLIC EMPLOYEES, DEPARTMENT OF LABOR AND INDUSTRY, COMMONWEALTH OF PENNSYLVANIA

The Pennsylvania State employees retirement system allows certain employees, especially those over age 50 years at the time they enter the employ of the Commonwealth, the option of joining such system. For many of the older employees the cost of joining the system in proportion to the benefits they would receive upon retirement is such that they exercised their option to remain out

of the retirement system. These persons today are without any sort of retirement protection.

The social security amendments of 1954, as approved by the House of Representatives in H. R. 9366, will not make coverage available to these needy people who are technically and presently eligible for membership in the State retirement system but who would not even be able to vote in the referendum.

To correct this situation and to provide old-age and survivors insurance coverage for these people, who were born 20 years too soon, and to keep them off the relief rolls and allow them to retain a degree of independence and self-respect, we believe that such coverage should be made available to them even though the members of the State retirement system by a referendum vote rejected old-age and survivors insurance coverage.

Therefore, we suggest that section 101, subsection (h) (1) of H. R. 9366 be amended by adding at the end thereof the following clause:

"or, such individual, although eligible under a retirement system granting certain employees the option of joining such system, has not elected to become a member thereof."

Furthermore, we suggest that the effective date of section 101, subsection (h), be the date of enactment of said subsection instead of "January 1, 1955", as presently provided in subsection (h) (9). The reason for this suggestion is that if this amendment becomes effective upon enactment, it will be possible to secure coverage for Commonwealth employees and others retroactive to January 1, 1954; whereas under the amendment as adopted by the House of Representatives, the earliest date upon which coverage could be secured would be January 1, 1955. This difference of four quarters of coverage could well be the difference between benefits and no benefits to many older employees, the difference between a degree of security and being a charge upon the public.

Senator MARTIN. The committee will now be recessed until 10 o'clock tomorrow morning.

(Whereupon, at 11 a. m., the committee recessed, to reconvene at 10 a. m., Friday, July 9.)

SOCIAL SECURITY AMENDMENTS OF 1954

FRIDAY, JULY 9, 1954

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

The committee met, pursuant to recess, at 10 a. m., in room 312, United States Senate Office Building, Senator Frank Carlson presiding.

Present: Senators Millikin, Martin, Malone, Bennett, Carlson, Reynolds, George, Byrd, Johnson, and Kerr.

Senator CARLSON (presiding). The committee will please come to order. We are going to continue our testimony on H. R. 9366. I have here a letter from Mr. James Watt, manager of the Washington, D. C., office of the Christian Science Committee on Publication. He has submitted for the record an editorial which appeared Thursday, July 8, in the Christian Science Monitor, entitled, "Must One Retire?" He would like very much to have that made a part of the record at the point he testified, if it is not too late. Otherwise, just put it in the record.

Senator GEORGE. I so move, Mr. Chairman.

Senator CARLSON. If there is no objection, we will have that in the record.

(The statement referred to is as follows:)

MANAGER OF WASHINGTON, D. C., OFFICE,
CHRISTIAN SCIENCE COMMITTEE ON PUBLICATION OF
THE FIRST CHURCH OF CHRIST, SCIENTIST, IN BOSTON, MASS.,
Washington 6, D. C., July 9, 1954.

Re social security amendments of 1954, H. R. 9366.

Hon. EUGENE D. MILLIKIN,
Chairman, Finance Committee,
United States Senate, Washington 25, D. C.

DEAR SENATOR MILLIKIN: May I respectfully request that the enclosed editorial entitled "Must One Retire?" from the July 8 issue of the Christian Science Monitor be included in the record as part of my remarks.

You will recall that I testified before your committee on June 29.

With all good wishes,

Sincerely yours,

JAMES WATT,
Manager, Washington, D. C., Office.

MUST ONE RETIRE?

This newspaper a number of times has objected to provisions of the Social Security Act (as now repeatedly amended) which tend both to push people into retirement and then to limit their productiveness. We have ventured also that there ought to be some areas of the national economy where people could be allowed to take responsibility for their own financial security.

Is there not some way to permit voluntary participation or nonparticipation in old-age insurance at least by some categories of workers or of self-employed?

The experts say "No" because of what they call "adverse selection." That is, many would tend to remain out of the system during their younger years when they would be contributing to the necessary reserves but decide to come in later when the problems of age appeared more imminent.

The fact that old-age benefits now are paid at flat rates instead of being based partly on length of coverage removes any incentive to start participation early. In this framework the social-security staff sees no middle course between compulsory coverage and complete exclusion.

In the case of the medical profession; its spokesmen have convinced the House of Representatives that physicians and surgeons should be omitted entirely on the grounds that they seldom retire from practice and hence would reap relatively limited benefits from inclusion. The Washington office of the Christian Science Committee on Publication has pointed out that this is equally true of Christian Science practitioners and has asked their exemption from compulsory coverage.

There are other professional people also whose services grow in value with experience and whose greatest usefulness may be realized after the conventional retirement age of 65. This includes architects, lawyers, ministers, educators, and writers, and is true of many in skilled trades as well.

The extension of coverage pending before the Senate Finance Committee would work a hardship on these people because it would force them either to retire—often forfeiting years of greatest usefulness—or to lose benefits for which they had been compelled to pay. Social security is still in need of review to discover ways of encouraging rather than discouraging usefulness in longevity. Until that is achieved, some are obliged to request omission rather than coverage in seeking to make their greatest contribution to society.

Senator CARLSON. Senator Margaret Chase Smith advised me this morning that she would like to furnish a statement for the record which will be furnished to the reporter today.

(The statement referred to above is as follows:)

STATEMENT OF UNITED STATES SENATOR MARGARET CHASE SMITH TO THE SENATE COMMITTEE ON FINANCE, JULY 9, 1954

Mr. Chairman, as a Member of Congress for 14 years, having served 8 years in the House of Representatives and in the United States Senate for the past 6 years, I have been deeply interested in old-age and disability legislation as outlined in H. R. 2446, the bill sponsored by Congressman Homer D. Angell.

The need for social security is incontestably established, since we are not all endowed with the tools and ability to achieve security through individual effort. Circumstances, or breaks if you wish to call it that, have granted some of us greater ability to achieve happiness and capture security. We have been endowed with greater productive or creative ability or with greater financial resources, or with the rare and admirable ability to be happy with less of the material things than what the next fellow has.

Others of us are not so lucky. Our mental or physical capabilities have been limited from birth or have not been developed because of lack of means of development, or have been impaired by misfortune. Depression, war, and inflation in unbroken succession have shaken the faith in the belief that man is the master of his own destiny. These conditions have proved beyond a doubt that our Government must cope with the problem of social security and old-age assistance.

Existing social and economic conditions force upon us the need of solving this problem, not only for those over 65, but 60 years and over.

Since less than 1 out of every 5 receive any old-age assistance, and then the average payment is around $51, with 50 percent of them receiving from $51 down to $27.80, which was the low average of Virginia as of November 1953. This is not even bare subsistence in the face of today's cost of living.

Some will tell you that these payments are only a supplement. But I ask you, a supplement to what? We all know that these recipients are not allowed to earn any amount to supplement the amount paid to them without it being deducted from their monthly allowance. Even OASI, with their earning clause, prevents many a citizen from earning necessary additional income.

I urge you to give full consideration to the facts that are presented regarding the proposed legislation known as the Townsend plan. Certainly no one has done more on the problem of old-age assistance than Dr. Townsend, and he deserves the thanks of every American citizen.

The legislation which you are now considering is probably the most important domestic problem now confronting our people, as it will affect all our people; therefore, the legislation should provide real security for all citizens and for business by increasing the much-needed purchasing power, the market for goods and services that we in this great Nation can produce.

If we possess the genius to build an atomic bomb, a hydrogen bomb, that can threaten the very existence of the world, surely we must possess the will to provide the means of security for ourselves and our fellow Americans in our old age, after we have given the best years of our lives to the development of our country.

Insecurity breeds physical illness, mental illness, and war. A happy and secure people are the best guarantee against war. Adequate social security can make a great contribution to the realization of permanent peace. And the best place to start is right here at home in America—right here before this committee—right here in Congress.

Senator GEORGE. Mr. Chairman, I would like to put into the record a statement by Mr. Harley Langdale, who is the president of the American Turpentine Farmers Association.

Senator CARLSON. Without objection, it is so ordered.

(The statement referred to is as follows:)

STATEMENT OF HARLEY LANGDALE, PRESIDENT, AMERICAN TURPENTINE FARMERS ASSOCIATION, VALDOSTA, GA.

The American Turpentine Farmers Association is composed of 4,300 members representing an industry comprised of approximately 6,250 farmers as of the calendar year of 1953. The employment of each of these farmers averaged no more than 3 workers as that was the number generally required to work an average operation of 8,000 "faces" from whence gum turpentine is derived.

I, therefore, as president of the American Turpentine Farmers Association, address this committee as the official representative of our association, and in the interest of all turpentine farmers, producers, and workers in the industry, including myself as a gum-turpentine farmer.

On behalf of these members of our industry, we express to this committee that any contemplated legislation concerning social security, including H. R. 9366, be enacted to place all coverage of individuals employed in the gum naval stores industry on a voluntary, individual basis, and that compulsory coverage of the members of our gum naval stores industry shall not be enacted. Our request for voluntary, individual enlistment of social-security coverage is based on many reasons as set forth herein. These reasons become clearly evident when the long and useful history of our industry is considered. Naval stores originated for the use of the Royal Navy, whence comes the present-day name describing the taking of the resins from the living tree. It is one of the oldest, if not the most senior industry in the United States. The industry has its own customs, traditions, and characteristics which are now the practices of turpentine and rosin production. This gum production, vital to our Nation's economy and safety, can be produced only if a definite, prescribed course of operation is followed.

It is necessary to consider the peculiar conditions surrounding the production and harvesting of gum turpentine. There is no other industry on the globe in which the same unique factors exist and approximate those which determine our industry's continued growth and prosperity. Indeed, my statement to this committee on behalf of the gum-turpentine industry, and as the official representative of the American Turpentine Farmers Association, is dictated by the unusual characteristics which permeate and surround the business of utilizing the natural products of the living gum-producing trees of the American Southland. Therefore, we record some of these practices inherent in our industry for the consideration of this committee:

Most turpentine laborers are employed to work a given number of trees in a given land area. All of the laborer's family frequently are used, including the children. The process of harvesting gum from a living tree consists of scarification of the bark of the tree's trunk from whence the flowing gum is collected in small containers or "cups." All of the required operations demand hand labor and no other agricultural pursuit is consummated with so few tools and with so little equipment. It is necessary that the laborer work slowly along a loose boundary or "drift" delineating a devided land area in which the

laborer will be responsible for "working" an average number of "faces" or trees. In nearly every instance, the worker is alone in his area and is unsupervised as to speed of operation. If the worker wishes to accelerate his efforts he may do so, or the opposite may transpire. It is most important to note that the entire industry is tied to a seasonal pattern which dominates the type of employment in our industry, just as much as the type of labor requirement determines the hours and conditions of daily employment. The gum flows from the tree in a ratio with which the season advances into the high temperature months of the year and, similarly, the flow recedes in the colder months of autumn, winter, and spring. The gum turpentine laborer, therefore, has a totally different employment in the nonproducing season which is about 4 months in length during which he must find other farm work.

These two paramount factors of our industry's employment pattern—i. e., unsupervised, individually paced, manual labor, and the seasonal need for labor for short seasonal periods—have produced a type of worker who is absolutely sui generis and who is not found elsewhere in American industry and commerce. The average turpentine laborer is quite carefree and is most independent as a result of the age-old lack of direct supervision. One characteristic of part of the labor force has been a desire to change jobs each season or as often as the urge to wander manifests itself. Some turpentine workers disguise themselves by assumed names and records to afford new opportunities in their next change of location.

It is obvious to this committee that such an employment pattern as found in our gum industry would result in a peculiarly defined compensation pattern for the individual laborer. Method of payment must be commensurate with the character of the worker, his order of living, and the seasonal performance of the duties required of him. Once it is understandable that the individual laborer, the weather, the tract of timber, methods used, and many other factors are constantly variable, it is equally understandable that no set or defined pattern of compensation has ever been universally adopted; to the contrary, methods and manner of payment to our laborers varies as much or more than in any other industry in the land. The following list measures somewhat the great diversity inherent in wage-payment patterns of our employment:

1. Payment based on accomplished piecework in the manner and at that time chosen by the laborer.
2. Wages by the day under supervised conditions, on the basis of the general agricultural wage for that season and area.
3. Payment as a part proprietor by a share of the annual crop as produced at the time and in the manner chosen by the laborer.
4. Payment by the hour at the going daily wage which differs over a wide range depending on the worker, the season, the number of "faces" being worked, and the level of agricultural wages in that area.
5. A combination of the above-listed systems of payment.

To compound the diversity of wage systems, many turpentine laborers obtain their wages in advance as a loan to carry them through a given season. Furthermore, the system of wage return differs with the season: During the production season, labor is paid almost entirely by piecework or a share of the crop, while during the late fall and winter, when the trees are being prepared and conditioned for production, day and annual wage patterns predominate.

It should be noted that in each pattern of wage payment, there is a tangible item to be measured and used as a yardstick of settlement; to wit, the crop itself or some part thereof. No involved records are kept as none are needed, and turpentine farmers are not trained in recordkeeping. The farm and price-support programs have necessary personnel to give assistance to the turpentine farmer when the execution or preparation of paper forms are required, and in practically all instances, the gum producer's agent prepares the regulatory forms for and on behalf of the producer. By his experience, education, and inclination, the American turpentine farmer has not shown and does not possess the entailed qualities requisite for the keeping of detailed records and the preparation of involved returns commensurate with the enactment of H. R. 9366.

Because of our present situation created by the existence of the inherited condtions in our industry contained hereinabove, and because of our desires to preserve the practical employment patterns of our industry without which it could not predicate its present existence, much less desired future growth and development, we appear before your committee because we are opposed to compulsory coverage for American turpentine farm laborers under the social-security program applicable on the enactment of H. R. 9366. The theory of compulsory

coverage is fitted by its nature to those industrial enterprises evidencing set forms of employment with the characteristics of every job being of long-term tenure without regard to seasonality or annual migration of employees, location of every worker in a supervised environment, the utilization of hourly wage systems, the complete lack of proprietorship on the part of the laborer in the item being produced, and above all on professional recordkeeping inherent in the factory-type employment of the 20th century. By no logical comparison can any similarity be seen to exist betwen the type of the industrial laborer sought to be covered by the spirit of the proposed legislation and the factual, existing, migratory farm worker evident in the gum-producing industry today.

It is well to envision the practical application of this regulatory enactment. Under the provisions of this bill, if coverage thereunder be made compulsory it can be seen that there would be a real hardship in the normal farm employer-employee relationship if the employee was covered under a former farmer and changed over to a second farmer during the season. This bill, designed to aid the individual worker, would result to the inconvenience and inefficiency of the individual farmer. Many farmers employ but one seasonal laborer to help gather the gum during the flowing season. Requirements of involved recordkeping would deter the part-time, small producer from engaging in any operation resulting in recordkeeping liability, thus preventing the individual farmer and the Nation from increasing the wealth of both.

Therefore, Mr. Chairman, in your consideration of H. R. 9366, we express the request that this committee return a bill which would be the least objectionable to our farmers, workers, and producers of gum turpentine, and which would entail the least inconvenience to all of us. We, therefore, ask that our individual laborers not be excluded from coverage under this bill, but that such coverage be made voluntary for both employing farmer and laborer and not compulsory for either party to our industry's wage patterns, which by their nature and practice are so deeply entrenched; and further we ask that both the employer and employee be permitted to elect voluntarily any desired coverage and that such election must be simultaneous and on both parties' part to effect or maintain participation under the provisions of the so-called social-security laws of the United States.

Senator CARLSON. The first witness this morning is Miss Loula Dunn, director of the American Public Welfare Association.

You may proceed in any way you desire, Miss Dunn.

STATEMENT OF MISS LOULA DUNN, DIRECTOR, AMERICAN PUBLIC WELFARE ASSOCIATION

Miss DUNN. My name is Loula Dunn. I am a director of the American Public Welfare Association, an organization of State and local public-welfare departments and individuals engaged in public welfare at all levels of government.

I shall not read the statement in full that I have before you, but I would ask that it be made a part of the record.

Senator CARLSON. Miss Dunn, it will be made a part of the record.

(The statement referred to above is as follows:)

TESTIMONY ON H. R. 9366, BY MISS LOULA DUNN, DIRECTOR AMERICAN PUBLIC WELFARE ASSOCIATION

My name is Loula Dunn. I am director of the American Public Welfare Association, an organization of State and local public-welfare departments and individuals engaged in public welfare at all levels of government.

Several departments of public welfare have their representatives here to appear before this committee and other States have sent statements to members of the committee in order to present their specific positions and interests in social insurance and the provisions contained in H. R. 9366. Mr. Charles I. Schottland, chairman of the National Council of State Public Assistance and Welfare Administrators, an affiliate of the American Public Welfare Association, will speak for the council in support of the principles contained in this bill. I appreciate the opportunity to appear before the Senate Finance Com-

mittee to present testimony related to the common denominator of thinking among the various State public-welfare agencies and those who administer public-welfare programs.

The American Public Welfare Association strongly endorses and supports the improvements in the old-age and survivors insurance program contained in H. R. 9366. Extension of coverage and improvement of the benefits of the contributory social-insurance system have long been of deep concern to the membership of our association. Through extensive discussion at local, State, regional, and national meetings, the membership of the association has considered this subject. As a result of those discussions, the association has successively and repeatedly over a long period of time adopted a number of policy statements in support of the extension and improvement of contributory social insurance. These include our public-welfare platform, developed in 1945 and reaffirmed in 1947 and 1949; a resolution by the association's committee on welfare policy, approved in 1949; Next steps for Action in the Field of Federal Welfare Policy, adopted early in 1951; and Essentials of Public Welfare: A Statement of Principles, adopted in November 1952.

I quote from the two most recent of these policy statements:

Next steps for action in the field of Federal welfare policy

"The principle of contributory insurance as a means of protecting against loss of income due to predictable hazards has not only proved economically sound and administratively feasible but is consistent with American traditions of self-reliance and freedom from the inevitable invasion of privacy inherent in public aid. [We therefore recommend] Prevention of economic need through a system of contributory social insurance which extends to all working people, by means of benefits paid on a basis of earned right and related to previous earnings, adequate protection against loss of income due to retirement, premature death of the family breadwinner, or unemployment."

Essentials of public welfare: A statement of principles

"Contributory social insurance has proved the best governmental method to assure maintenance of income for individuals and their families during periods when work is impossible or unavailable for them. Under this system contributions are made during employment which entitle the worker to cash benefits, paid as a matter of earned right without regard to individual economic circumstance, in periods when he can no longer work. Social insurance should cover all working people, should pay benefits adequate to maintain a decent minimum standard of living, and should protect against loss of earnings due to unemployment, disability, premature death of the family breadwinner, and retirement in old age."

We have consistently testified before congressional committees in support of extension of coverage, increased benefits, and other improvements in the contributory social-insurance system. The American Public Welfare Association wishes, at this time, again to place itself on record as favoring the extension of coverage, as far as possible, to the total working population and provisions for increased benefits and other improvements in the OASI program.

Because our members have responsibility for the administration of public-assistance programs, I should like to discuss briefly the relationship of contributory social insurance to public assistance granted on the basis of individual need.

No organization coming before this committee is more aware of the urgency of extension of coverage and adequacy of benefits than the American Public Welfare Association. Those who work in public-welfare offices throughout the country see in their day-by-day contacts with people the insecurity and desperation that inevitably result from the lack of protection by contributory social insurance. We speak for the public-welfare agencies that seek for the people they serve, coverage and reasonably adequate benefits under an insurance program in which they and their employers can participate during their working years. We support the principle of contributory social insurance. It is the dignity of the individual human being, inherent in contributory social insurance, that we covet for every American.

Experience has shown that so long as a substantial part of our working population is not protected under the contributory social-insurance system and so long as insurance benefits are well below the amount necessary for a decent level of living, public-assistance costs will necessarily be high and will continue to be a heavy burden on the general tax base. Public-welfare administrators and workers do not look with enthusiasm on large public-assistance caseloads. On

the contrary, we look to the time when contributory social insurance and public assistance can assume the roles for which we believe they were intended when the Social Security Act was passed in 1935: Protection of the vast majority under a contributory social-insurance system, with public assistance serving as a residual resource for those whose needs are not met through social insurance.

Social insurance cannot fulfill its purpose of reducing public-assistance loads to the minimum until the largest possible number of employed persons are covered and more nearly adequate benefits are paid. When most individuals and most situations of economic insecurity beyond the control of individuals are covered in this way, public assistance can assume its rightful residual role, meeting unusual situations in a flexible, individual way. Even so, a period of time must elapse after basic changes are made in the social-insurance program before the full effects of the changes on public assistance can take place. We are now seeing the results of the 1950 amendments, which extended coverage and increased benefits. We believe, therefore, that if the Congress acts now further to extend and improve the insurance program, another important step will be taken toward reducing the need for assistance.

Public assistance is still essential in order to provide for those who are in need. In 1952 a revised matching formula for public-assistance payments was adopted by the Congress. This formula, which is due to expire on September 30, 1954, would be extended to September 30, 1955, by H. R. 9366.

Because most of the States and the Federal Government budget on a fiscal-year basis ending June 30, it is requested that you give favorable consideration to the proposal that the present formula in the bill be extended so as to expire at the end of the period which corresponds to the biennium of most States—namely June 30, 1957. This would enable States to have sufficient advance notice of any termination date and make this date correspond with the fiscal year. This would also reduce the administrative burden on State and local officials and assist the States in planning to meet their responsibilities on a more orderly and efficient basis.

President Eisenhower in his message to the Congress on January 14 stated that he favored preservation of two basic principles in the OASI program. These are:

"(1) It is a contributory system, with both the worker and his employer making payments during the years of active work;

"(2) The benefits received are related in part to the individual's earnings."

With regard to public assistance, the President in this same message suggested a new formula but stated: "A new public assistance formula should not become effective until the States have had an opportunity to plan for it. Until such time, the 1952 public-assistance amendments should be extended."

These three principles are embodied in H. R. 9366. We endorse these principles and urge the committee to act favorably on them.

Miss DUNN. There are a number of welfare directors here who will present their own specific points of view and represent their States today and you have had a number of communications from other State welfare directors which in turn will indicate their points of view. Unfortunately, the president of our board of directors, John Winters, of Texas, the State welfare director, is ill. He has sent to Senator Millikan a wire indicating his regret that he cannot be here and his position, both as State director in Texas and as president of our organization, and I would like to ask that his wire be made a part of the record.

Senator CARLSON. It will be made a part of the record.

(The telegram referred to above is as follows:)

JULY 7, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

As president of the American Public Welfare Association and as executive director of the Texas State Department of Public Welfare, I would like to go on record as strongly endorsing and supporting the extension of coverage and improvement of benefits in the old-age and survivors insurance program contained in H. R. 9366. The principle of contributory insurance as a means

of protection against loss of income due to predictable hazards has proved economically sound, and administratively feasible, and is consistent with American traditions of self-reliance and freedom from the inevitable invasion of privacy inherent in public aid. I especially favor the provision originally advocated by the administration for the coverage of farmworkers who earn $50 a quarter in cash wages from one employer. The migratory workers who are excluded by H. R. 9366 are the very persons who are likely to become public-assistance recipients. The insurance program cannot fulfill its purpose of reducing public-assistance loads to the minimum until the largest possible number of employed persons are covered and saving for their own retirement. Our Texas constitution prohibits our legislature from appropriating additional funds for assistance purposes. Therefore any change in the Federal matching formula including the McFarland amendment would be a severe economic blow to the assistance group in Texas. We would strongly urge that the McFarland amendment be continued until some better method of equitable distribution of Federal funds is developed. We therefore earnestly request your favorable consideration of an extension of the present Federal formula until a better formula can be carefully considered and adopted with sufficient advance notice to give the States time to secure changes in statutes and in our case time to secure a change in our State constitution as well.

JOHN H. WINTERS,
State Department of Public Welfare.

Senator CARLSON. I want to say that I remember Mr. Winters and I regret that he was unable to be here because he has been outstanding in his work.

Miss DUNN. Mr. Schottland, who is chairman of our Council of State Wefare Directors, which is an organization within the American Public Welfare Association, is also here and he will speak not only as the California welfare director but also as the chairman of this particular council.

My own testimony is related to what I would speak of as the common denominator in thinking among the State welfare agencies and those who administer public-welfare programs. I would like to make it abundantly clear that our association strongly endorses and supports the improvements in the old-age and survivors insurance program contained in the bill you are now considering. Extension of coverage and the improvement of benefits in this contributory system has long been of deep concern to our membership and the policy statements that I am filing with you, or at least excerpts from them, have been drawn out of extensive discussion of why we believe it is more effective and a better way for people to be provided for under social insurance than through public assistance. These statements are referred to in the statement here.

We are convinced as public-welfare people that so long as there is a substantial part of our working population not protected under the social-insurance system, and so long as the insurance benefits are well below the amount necessary for a decent level of living, public assistance of course will necessarily be high and will continue to be a heavy burden on the general tax base.

Public-welfare administrators and workers do not look with enthusiasm on large public-assistance loads. On the contrary, we look to the time when contributory social insurance and public assistance can assume the roles for which we believe they were intended, namely, that the social insurance should be the main bulwark against unemployment and that public assistance should be a residual kind of program for those who are not covered.

We do not believe, however, that social insurance can fulfill its purpose in reducing to any appreciable extent public assistance until the largest number of people are covered and there are more nearly adequate benefits paid. We are therefore pleased that Congress is now considering again how to improve the insurance system, and we believe that if steps are taken to enact legislation to extend benefits to additional people, to increase the coverage, and other improvements in the bill, that this will be a second important step that you have taken, as you did in 1950.

I would like to speak finally of just one specific aspect that is of concern to the public-assistance people who are working in public welfare. It is obvious, as we know, that public assistance is still essential in order to provide for those who are now in need. In 1954 a revised matching formula for public-assistance payments was adopted by the Congress. This formula, which is due to expire September 30, 1954, and would be extended under the bill you are considering until September 30, 1955, is often referred to as the McFarland amendment. Because most of the States and the Federal Government budget on a fiscal-year basis ending June 30, it is requested that this committee give favorable consideration to the proposal that the present formula in the bill be extended so as to expire at the end of the period which corresponds to the biennium of most States, namely June 30, 1957. This would enable the States to have sufficient advance notice of any termination date and make this date correspond with the fiscal year. This would also reduce the administrative burden on State and local officials and assist the States in planning to meet their responsibilities on a more orderly and efficient basis.

I have referred in my inserted remarks to President Eisenhower's message in which he indicated his belief in a contributory system and benefits related in part to the individual earnings, and in which, regarding public assistance, he said that the new public-assistance formula should not become effective until States have an opportunity to plan for it. Until such time, the 1952 public-assistance amendments should be extended.

As I understand it, Mr. Chairman, these three principles are incorporated in this bill. The organization I represent endorses them and urges the committee to give favorable consideration to them.

Senator CARLSON. Are there any questions?

Senator GEORGE. No; I have no questions.

Senator MARTIN. Mr. Chairman, I have no questions.

Senator CARLSON. Miss Dunn, we appreciate so much your appearance here.

Senator MARTIN. Mr. Chairman and Senator George, it is necessary for me to go to another committee meeting. I would appreciate it very much if you could hear out of order Mrs. Eleanor G. Evans, secretary, Pennsylvania State Department of Public Assistance.

Senator CARLSON. Unless there is objection, the next witness will be Mrs. Evans.

Senator MARTIN. Mr. Chairman, I want to present Mrs. Evans, who is the secretary of the Pennsylvania Department of Public Assistance. She is a member of the Governor's cabinet.

I might also say that yesterday when I presided I submitted for the record the statement of Hon. M. Vashti Burr, deputy attorney general of Pennsylvania; Hon. Robert B. Wray, who is the deputy secretary of public assistance; Mr. W. L. Windsor, who is the director of the bureau of social security for the public employees; and Mr. William L. Williams, who is the counsel for the bureau. Mrs. Evans will be the only one to testify, but the other statements will be in the record.

Senator CARLSON. Mrs. Evans, we are happy to have you here before our committee and I can assure you that Senator Martin not only takes good care of the Pennsylvania people but at the same time he takes care of the interests of the Nation.

You may present your statement in any way you care to.

STATEMENT OF MRS. ELEANOR G. EVANS, SECRETARY OF PUBLIC ASSISTANCE, STATE OF PENNSYLVANIA

Mrs. EVANS. I appreciate the opportunity to comment on the various provisions of H. R. 9366, relating to the old-age and survivors insurance program and to public assistance.

First of all, I endorse the provisions of the bill extending coverage and benefits under the old-age and survivors insurance program. Since a large proportion of wage earners in Pennsylvania are within the present and expanded scope of the program, the passage of this bill will substantially reduce the need for public assistance in the State.

The enactment of this legislation will mean some immediate saving in public-assistance costs due to increased benefits and extension of immediate eligibility to the survivors of persons who died before September 1, 1950. Savings in public-assistance costs will increase progressively due to the inclusion of additional groups of workers in the OASI program. It is estimated that by the middle of 1957 the total saving in public-assistance funds in Pennsylvania will be about $1 million a month, of which $600,000 will be Federal funds and $400,000 will be State funds.

Public welfare administrators are generally in favor of the insurance approach rather than the public-assistance approach to the problem of meeting financial needs of our older citizens and of widows and their young children. The cost of administration is less than that of public assistance and the principle of avoiding need for public assistance through a system of contributory social insurance extended to all working people is widely accepted.

The CHAIRMAN. Mr. Chairman, may I interrupt for a moment? This is Senator Reynolds, who will be the new member of this committee.

This Senator Carlson, Senator Martin, and Senator George.

Senator CARLSON. We are very glad to meet you, sir.

Mrs. Evans, you may proceed.

Mrs. EVANS. I am glad that provision is being made for extending the 1952 matching formulas for public assistance. I have noted, however, that the proposed termination date is September 30, 1955. Since the legislatures in most States will be meeting in 1955 a termination date as early as September 30, without knowledge of what matching

formulas will be in effect after that date, does not give States adequate basis for sound fiscal planning. It is my suggestion, therefore, that the termination date of the 1952 matching formulas be extended unless new matching formulas, effective upon termination of the 1952 formulas, are written into law at the present time. It seems important that any new formulas be announced well in advance of the termination of the existing formulas in order that States will know what change, if any, is necessary in the amount of revenue to be raised in support of the public-assistance program.

Senator GEORGE. Do you generally agree with Miss Dunn that it ought to be extended until 1957?

Mrs. EVANS. I generally agree on that; yes, sir.

I also want to go on record as favoring extension of the period during which certain States are relieved from the necessity for compliance with the requirements of section 1002 (a) (8) of the Social Security Act as a condition to approval of their State aid-to-the-blind programs so that these States may receive Federal contributions toward the cost of assistance expenditures under the plans.

Senator CARLSON. Mrs. Evans, is the other State Missouri?

Mrs. EVANS. That is right.

As a result of this provision enacted in 1950, Pennsylvania has been able to secure Federal matching payments made to needy blind persons even though the State, at its own expense, makes payments to other blind persons who have property and income somewhat above the level of need recognized by the Federal Government. The amount of such Federal matching currently amounts to approximately $292,500 per month as the Federal share of total grants of $450,000 made to needy blind persons. Under Pennsylvania's program an additional $350,000 per month is paid from State funds only to other blind persons who do not meet the Federal definition of need.

In order to remove the uncertainty, both to the States and to needy blind persons with respect to their future security, I recommend that reference to the termination date be deleted so that the provision for Federal matching in payments to needy blind persons shall be a permanent rather than a temporary feature of the social-security law.

Although not included in the draft of H. R. 9366, currently before the Senate Finance Committee for consideration, I understand that the Secretary of the Department of Health, Education, and Welfare has suggested that the old-age assistance matching formula be modified with respect to those cases in which the individual is receiving a Federal OASI benefit. Under the present formula Federal matching is at the rate—and I am sure you are familiar with this—of four-fifths of the first $25 of the old-age-assistance grant and one-half of whatever additional payment there is up to a maximum of $55. The proposal, as I understand it, is that the matching of any payment supplementing an OASI benefit be at the 50–50 rate rather than at the higher rate applicable to the first $25 of an old-age-assistance payment.

Although recognizing that the State governments will save assistance funds as a result of extension of the OASI program, I must urge that the above proposal, whereby the States would carry a larger share of the cost of assistance in certain old-age-assistance cases, not be adopted. To do this would add one more complex and costly ad-

ministrative procedure. Under the proposal it will be necessary to segregate those assistance cases in which payments supplement OASI benefits. This means additional records in various offices of the Department and additional computations. The only result would be a shift of part of the cost from one pocketbook to another, whereas, at the same time the total cost to the taxpayer would be increased slightly due to the additional administrative requirement.

In view of general concern as expressed in consideration given recently by the Senate Appropriation Committee to limiting the amount of money that public assistance agencies shall spend for administration, it seems particularly important to warn against any legislation which would increase administrative complexities and costs.

At that point I would like to repeat a suggestion incorporated in a statement I made to the Ways and Means Committee of the House of Representatives, commenting on H. R. 7199 and H. R. 7200. I commented favorably on the feature of a formula proposed in H. R. 7200, which bases Federal participation on average assistance grants rather than on a basis of individual payments. This proposal permits some administrative efficiency and economy. However, I advanced the further suggestion that the amount of Federal participation in the cost of public assistance might be based solely on average grants per recipient. There would be an advantage if this suggestion were applied to only one category. There would be even more advantage, however, if the same formula could be applied to all categories so that there would not be any distinction as to the amount of Federal participation in the cost of public assistance per recipient due solely to the particular category of aid. This would simplify budgeting procedures by the public assistance investigators as well as recordkeeping and computations in all the office procedures.

More specifically, I suggested that in order to give relatively more help to "poorer" States with low average grants and relatively less help to "richer" States with higher average grants, the Federal matching might be high with respect to the first portion of the average grant and decrease progressively as the average grant increases; for example, as much as 80 percent might be paid of the first $20 of the average grant, 60 percent of the next $10, and so forth. I hold no brief for these particular figures. They are offered here purely for illustrative purposes. It should be noted that under this proposal there would be great benefits as to efficiency and economy of administration at all levels of Government.

Now, may I briefly summarize my points?

1. I endorse the extension of coverage and increased benefits under the old-age and survivors insurance program and I note particularly that this will substantially reduce the need for public assistance.

2. The 1952 matching formulas for public assistance should be extended beyond the proposed date of September 30, 1955, unless the formulas to be effective after that date are written into law simultaneously in order that States may have adequate basis for sound fiscal planning.

3. I recommend that the termination date governing Federal matching in payments to needy blind persons in certain States be deleted in order to remove the uncertainty both to the States and the needy blind persons with respect to their future security.

4. I urge that a special matching formula relating to old-age assistance granted to persons to supplement their OASI payments not be adopted because this will mean additional administrative complexity and cost.

5. In order to achieve further simplification and administrative economy I urge the adoption of a matching formula for public assistance that bases such matching on the average grant per recipient with the further suggestion that such a formula be uniform with respect to persons receiving assistance regardless of the category of aid.

Senator MARTIN. Mr. Chairman.

Senator CARLSON. Senator Martin.

Senator MARTIN. Mr. Chairman, on page 4 in the fourth line of your statement you say in view of the general concern that was expressed in consideration given recently by the Senate Finance Committee to limiting the amount. I presume you mean the Senate Appropriations Committee, because matters of appropriation come before them.

Mrs. EVANS. You are right, Senator Martin. I am sorry that is wrong. It should be the Senate Appropriations Committee.

Senator CARLSON. Are there further questions? If not, we thank you, Mrs. Evans, for your appearance and statement this morning.

The next witness is Mr. Roy A. Davis, chairman of the Colorado State Board of Public Welfare.

The CHAIRMAN. Mr. Chairman, I would like to say something about Mr. Davis. He is a very prominent and highly respected citizen of Colorado, one of our great leaders out there. He lives in Colorado Springs. He used to have a very prominent role for many years in our State legislature. He is interested in everything for the good of the community, his own community and for the State. He is interested not as a professional in this line, but he has a very human attitude toward all of the problems that face the people of Colorado.

I am very glad to see you, Mr. Davis.

Mr. DAVIS. Thank you, Senator.

Senator CARLSON. Mr. Chairman, knowing that you were presiding at a meeting that I left and thinking that you would not be here, I was all ready to make a statement expressing your regret. I am certainly glad that you can be here.

You may proceed, Mr. Davis, in any way that you care to.

Mr. DAVIS. Thank you.

STATEMENT OF ROY A. DAVIS, CHAIRMAN, STATE BOARD OF PUBLIC WELFARE, COLORADO SPRINGS, COLO.

My name is Roy A. Davis. The last 6 governors of Colorado—3 Democrats and 3 Republicans—have appointed me a member of the Colorado State Board of Public Welfare, and I have served continuously as its chairman for the past 15 years.

I am also a board member of the American Public Welfare Association. Several of my associates in public welfare are here today, but unlike them I have had neither professional training nor practical experience in the field of public-welfare administration. With me, public welfare is an avocation. Up until 6 years ago when I retired, I owned and operated a small retail business in Colorado Springs. This kept me busy for almost 40 years.

While realizing and admitting that I am wholly unqualified to offer expert testimony on public welfare, I am inclined to believe that my thinking is pretty much in line with that of the average citizen as it pertains to the subject now under consideration. With this candid admission I beseech your indulgence and patient understanding as you listen to the brief statement I am about to make.

My first real interest in public welfare developed a third of a century ago, when as a member of the Colorado General Assembly I worked and voted for a measure to provide pensions for the aged indigent of our State. Even then, it was becoming increasingly apparent that changing social and economic conditions were making it increasingly difficult for the average man to earn, save, and wisely invest a sum sufficient to provide for the twilight period of his life.

Today, the problem of providing for the future is far more difficult than it was a generation ago. It is my opinion that unless some measure such as H. R. 9366 is enacted, the human problems of welfare and the cost of welfare will be multiplied until they become an intolerable burden.

Contrary to what some alarmists may think or say, I am persuaded that the average man is a pretty decent sort of citizen and is neither a chiseler nor a parasite. He is willing to work for what he gets. Rather conclusive proof of this statement is evident in the fact that the pension roll of Colorado decreased well over 2,500 during the days of World War II. During that period of emergency these older citizens found work which would be denied them under more nearly normal conditions.

I am convinced that the average man yearns to be self-reliant and independent. But in the final analysis, he is far less concerned about what his rugged ancestors did in blazing the trails and conquering the frontiers than he is in what he can do to provide for himself and family under existing conditions.

Believe me when I say that I know something of the problems of the average man who is striving to forge ahead in days like those of the present. Today it is an almost insurmountable task to provide for the contingencies and unforeseen adversities which seem to have a way of creeping into the lives of most of us. And finally, there is the ever-present and gnawing fear in a man of what he will do when he becomes too old, too sick, too blind, or too crippled to work.

If a person reaches that stage and adequate provisions have not been made to cushion the blow of unemployment and old age, then, of necessity, that person is compelled to depend upon others for subsistence. Such cases must be cared for, not alone from the standpoint of humanitarian values, but from the very practical standpoint of commonsense and economy itself.

I am convinced that society can more economically care for our unfortunates by properly recognizing the obligation and meeting it, than by permitting such unfortunates to shift for themselves—or by reducing provisions for their care to a veritable starvation level. To do so is to establish a breeding ground for danger and even anarchy.

Almost any man of average intelligence can grasp the advantages that a democracy such as ours has to offer, but I am sure that no man is going to wave the Stars and Stripes, lead an audience in singing the Star-Spangled Banner, and elaborate upon the manifold blessings

of our Constitution if he is cold and hungry, or suffers the mental anguish of seeing his wife and children endure want and misery.

It is most gratifying to know that you are now considering extending coverage to approximately 9½ million persons under the old-age and survivors insurance program. Personally, I would like to see such coverage extended just as far as possible. I can conceive of no program so effective as a contributory social insurance program which would help men to help themselves. Furthermore, it would eliminate a feature which some recipients of assistance abhor—the stigma of relief. It would do much to restore a feeling of independence and install self-reliance, and, above all, it would remove the humiliation some people experience when their innermost secrets must be shared with others.

While the effect of such extended coverage would not be felt immediately in any abrupt reduction of the public-assistance rolls, I foresee the time when the social-insurance program would assume the role for which it was intended; that is, providing a minimum insured means of livelihood for the vast majority of the aged and for the widows and orphans who must now be cared for by public-assistance programs.

Speaking as a lay person, it would be most presumptuous for me to urge enactment of H. R. 9366 as passed by the House. It is my hope, however, that as a result of your exhaustive studies of the subject, and the possible addition of strengthening amendments, you will shortly enact into law a better and more comprehensive social-insurance program than we enjoy at this time. With real eagerness I look forward to the day when the nightmarish specter of want and misery will disappear, and men who work can regard such protection not only as a matter of essential justice, but as an earned right.

Before closing I wish to make brief reference to the extension of the so-called McFarland amendment. In Colorado, we would consider it a major catastrophe if for any reason this amendment were not reenacted.

I regret to say that State revenues for old-age pensions for the first 5 months of 1954 in Colorado show a decrease of over 5½ percent from the amount of State funds which accrued during the same 5 months of 1953.

May I point out that based on the May 1954 public assistance caseload figures in Colorado the total annual loss in Federal funds would amount to approximately $3¾ million if the so-called McFarland amendment is not reenacted. This figure is not insignificant to the economy of a State such as Colorado.

The seriousness of this problem is intensified when it is realized that Colorado is currently undergoing a severe drought and crop failure will unquestionably occur in many sections of our State. On June 30 of this year, Mr. Paul Swisher, Colorado commissioner of agriculture, announced that the crop loss in Colorado as of that date amounted to $200 million, and on July 2 he made the statement that many farm families, as a matter of necessity, should be granted assistance in the months which lie ahead, as a result of this prolonged drought.

As chairman of the State Board of Public Welfare in Colorado, I know that any reduction in assistance payments harbors a threat to the health and well-being of the individual recipients of public

assistance in our State. I therefore urge most sincerely that the McFarland amendment be reenacted.

In Colorado the administrators of the public welfare programs believe that it should be extended for 2 years instead of 1. They feel that the assurance of these Federal funds which are so desperately needed, if continued for a 2-year period, would assist the Colorado State and county departments of public welfare in their budgetary planning, and would make it possible to meet the financial needs of public-assistance recipients.

Personally, I can envision nothing in the foreseeable future which would indicate why the McFarland amendment should not be made a permanent addition to the overall security program.

The Colorado Joint Planning and Legislative Committee, the Colorado County Welfare Directors Association, and the Colorado Conference of Social Welfare are in complete agreement that the McFarland amendment should be extended. I know that the Honorable Eugene D. Millikin, chairman of your committee, and the Honorable Edwin C. Johnson, a member of your committee, have received telegrams from the Honorable Quigg Newton, mayor of Denver; the Joint Planning and Legislative Committee, and various associations of county commissioners in Colorado urging the extension of the McFarland amendment.

In conclusion, I wish to thank you for the privilege you have granted me in testifying here today. I again emphasize that I am not a professional worker. You knew me "when," Senator Johnson, and so did you, Senator Millikin. I do appreciate the privilege granted and with your permission, I would like to present to you for incorporation into the record an editorial which was written with great insight into this problem and a keen awareness of its possible effect upon the welfare programs in Colorado. This appeared in the June 30, 1954, issue of the Denver Post.

(The document referred to above is as follows:)

THE WELFARE PROBLEM

Mayor Newton, welfare workers, Colorado county commissioners, and others are speaking with a united voice in urging Congress to reenact the McFarland amendment.

The amendment, first enacted 2 years ago, increased Federal contributions to old-age assistance, aid to the blind, and aid to the needy disabled by $5 a month per case and added about $3 a month per child to Federal contributions to the aid of dependent-children program.

Colorado welfare clients have received about $3 million a year in additional Federal aid as a result of the amendment but, unless reenacted, the amendment will expire September 30.

A proposal for a 1-year extension is now before Senator Millikin's Finance Committee.

Hardest hit by failure to renew the amendment would be approximately 60,000 dependent children and old-age pensioners in this State. The cut in funds would come at a time when the State welfare department is being hard pressed to meet demands for assistance of all kinds.

During the present fiscal year, which ends Wednesday at midnight, the department has scraped the bottom of its treasury barrel. There will be no carryover of funds as in previous years.

During the new fiscal year a $300,000 welfare emergency and contingency fund provided by the legislature will have to be devoted almost entirely to meeting a deficit in the fund for the hospitalization of tuberculars which the legislature cut off with an appropriation of only $50,000.

All indications are that the welfare department will face during the new fiscal year the most difficult financial problem it has encountered during the

entire postwar period. Failure of the McFarland amendment, at a time when welfare loads are increasing, would turn a serious situation into a dire emergency.

Senator JOHNSON. Mr. Chairman, may I say that I have known Mr. Davis a great many years. He and I served in the Colorado Legislature together and when I was Lieutenant Governor he was one of the very able senators in Colorado. He belonged to your party, Mr. Chairman, and he says he is not a social worker, but he is quite an expert in the field. He has served a long, long time on the board in Colorado and he has left as a great monument his deep interest and the great service that he has rendered in such a position. I am glad to welcome him here before our committee.

Mr. DAVIS. That is very kind of you, Senator.

Senator JOHNSON. And I thank you for your very splendid statement.

Senator CARLSON. Senator Johnson, I wish to state that as a neighbor of the great State of Colorado I am somewhat familiar with the fine work that Mr. Davis has done in this field. We have worked closely together. Our State's board of welfare and Frank Long, particularly, have known the problems of Mr. Davis.

Are there any questions? If not, we thank you very much.

The next witness will be Mr. H. C. Shoemaker, commissioner, Utah State Department of Public Welfare.

Mr. Shoemaker, we are very happy to have you here this morning and you may proceed in any way you care to.

STATEMENT OF H. C. SHOEMAKER, CHAIRMAN, UTAH STATE PUBLIC WELFARE COMMISSION

Mr. SHOEMAKER. Thank you, Mr. Chairman and gentlemen. With your permission and in the interest of time, I am not going to follow my prepared statement. I will request that it be filed and made a matter of record.

Senator CARLSON. It will be a part of the record.

(The statement referred to above is as follows:)

STATEMENT BY H. C. SHOEMAKER, CHAIRMAN, UTAH PUBLIC WELFARE COMMISSION IN SUPPORT OF H. R. 9366, JULY 9, 1954

Chairman and gentleman, my name is H. C. Shoemaker. I am chairman of the Utah Public Welfare Commission.

A number of well-informed persons have previously appeared before you in support of H. R. 9366 and others will appear after me. Therefore, I do not consider it either necessary or advisable to impose upon your time by going into repetitious detail on the provisions of this bill. I believe it will suffice to state that I have discussed this measure with literally dozens of citizens in my own State, and I have to date encountered almost unanimous conviction that the passage of the bill is a needed step in the program for the benefit of the aged and their dependents.

It has been pointed out a number of times that old-age and survivors insurance and public assistance are interdependent. As old-age and survivors insurance increases its coverage and its benefits, relief is given to the public assistance program, which in turn relieves both the Federal and State treasuries.

At the present time in the State of Utah 10.1 percent of all our aged recipients of public assistance are also receiving OASI. The amounts these old persons receive from OASI are insufficient to maintain them in the bare essentials of life. Many are at the minimum of $25 monthly. The average payment received from OASI funds by those aged persons who also receive supplementary funds from public assistance is $31.34. To this amount our public welfare department adds an average of $41.38 from welfare funds. The average payment

in Utah, including all recipients of OASI, according to the latest report of our State OASI headquarters, is $50.04 monthly. On the other hand, the average recipient of old-age assistance in our State receives $59.80, or almost $10 more than the average recipient of OASI. This condition does not appeal to us as desirable and certainly not as equitable. Individuals who have contributed to a benefit plan, in however small degree, are receiving less money than those dependent on public charity who have made no contribution. H. R. 9366 will bring some measure of correction to this condition.

I have carefully read the statement made by the Secretary of Health, Education, and Welfare before your committee on June 24, 1954. I wish to endorse strongly this statement, in general. There is, however, one exception to which I wish to call your attention. The exception is contained in the following paragraph of the record of her remarks:

"Under the present old-age assistance matching formula the general revenues of the Federal Government matched the States on a 50-50 basis on that part of old-age assistance payments which exceeds $25 up to the maximum of $55. If the present OASI bill is passed increasing benefits and making coverage virtually universal, it would seem reasonable in those old-age assistance cases where the individual is receiving a Federal OASI benefit that matching of any supplementary payment from the general revenues of the Federal Government be at the 50-50 rate rather than at the higher rates applicable to the first $25 of an old-age assistance payment."

We regret that in our State we cannot agree with the Secretary's conclusion in this matter. Our disagreement is not based primarily upon the loss of revenue to the States which this change would entail. Rather, it is based upon a principle.

In our opinion, we should disassociate ourselves from the attitude that OASI is Federal bounty. We should not lose sight of the fact that OASI funds are provided by contributions from employers and employees. We can, therefore, so no reason why the receipt by a client of OASI income should be regarded in any different light than the receipt of income from private insurance, private pensions, or even personal earnings.

Furthermore, to accept the suggestion of the Secretary in this regard is to place a very heavy penalty upon those States which are providing relatively high grants for their aged people. States with low average grants do very little supplementing of OASI payments and would, therefore, feel little effect from the proposed change in matching. States such as Utah, with higher-than-average grants, will be seriously penalized. As a matter of fact, our accounting department estimates that the proposed change in matching will be so costly to our State that it will considerably overbalance any relief which might be supplied by the increased benefits of H. R. 9366. If H. R. 9366 is passed with its increased benefits, and if it is amended to include the change in matching proposed by the Secretary, the overall net loss to our State will be approximately $3.90 per client whose OASI income we supplement. In other words, the passage of H. R. 9366 with such a provision included would actually add to the burden of our State taxpayers, instead of affording relief.

In the above connection it should be pointed out that there is no continuing relationship among the States between the amount of the average assistance grant and the annual per capita income of the inhabitants. Some States with relatively low per capita income give relatively high public-assistance grants, and vice versa. In Utah our average old-age grant is eleventh in the Nation, while our per capita income is thirtieth among the States. By contrast, the State with the highest per capita income pays a grant that ranks thirty-ninth from the top. Thus, it will be seen that if the Secretary's provision is adopted, many high-grant States which will be penalized are low-income States which should not be required to take on the additional burden. Certainly, we do not believe it is the intent of Congress to penalize any States for attempting to provide a good program for needy old people.

There is one other objection to this proposal on changed matching which may not appear to be weighty but which, nevertheless, gives the States some concern. That is the administrative difficulty of computing matching on supplementary payments in one manner when income is from OASI, and in another manner when income is from some other source. The additional work of accounting alone would be somewhat of a nuisance. This is mentioned just in passing and is by far the least serious difficulty that would be encountered.

There is one other point which I wish to discuss and that is the extension boy H. R. 9366 of the present public assistance matching formula for 12 months

until September 30, 1955. During this period it is proposed that Federal funds will continue to match State funds up to a maximum of $55 monthly as at present, instead of up to $50 as was the case before 1952. We believe this extension is not only advisable but necessary. Many States, including our own, will find themselves faced with serious financial crises if this extension fails. In some States it will doubtless result in the decrease of grants to recipients. No doubt special sessions of many State legislatures will have to be called. Our only question is whether the extension to September 30, 1955, is sufficient. Most legislatures meet biennially.

There is another factor which deserves consideration. The Commission on Intergovernmental Relations is now busily engaged in studying the welfare field as well as other grants-in-aid. It is due to bring in its report to Congress March 1, 1955. As a result of this report, Congress may decide to make rather drastic and far-reaching changes in the whole public-assistance field. It is conceivable that the recommendations of the Commission may call for a decreased participation by the Federal Government in State welfare financing. If Congress decides, as a result of this report, to make drastic changes in State and Federal relationships, it is best that from now until that period a level program be maintained. Our inclination would be to recommend to you that the extension be made at least to June 30, 1956, or preferably even to June 30, 1957. This should give State legislatures ample opportunity to conform to any changes decided upon by Congress, and to make necessary financial arrangements.

There is one additional comment I wish to make in closing. It refers to the whole philosophy behind OASI. OASI, in my opinion, should never be looked upon as a program to do anything beyond insuring our old people sufficient income for the mere necessities of life. It should serve as a safeguard for our whole population to insure against poverty and want. There are, however, certain individuals and organizations who have a different conception. They believe that benefits should be increased to a point where recipients may live on a plane far above that of the necessities of life. These people and these organizations will come back to Congress time and time again for liberalized benefits. They may be expected to be particularly active in the next 10 or 15 years, while the full impact of the cost of such liberalizations will not be immediately felt. Later on, when the program approaches more nearly to an actuarial basis, greater liberality will be reflected in almost immediate increases in contributions. This eventually should serve as a "governor" to keep the program on a sound basis.

If OASI ever reaches a point where its liberality will discourage private initiative and thrift through overgenerous benefits, it will then cease to become a boon to our country and will degenerate into a liability. We trust that time will never come. At present the average age at which beneficiaries enter the program is not 65 -it is between 68 and 69 years. Surely this fact is a tribute to the self-reliance of the American people. Also, as well, it greatly reduces benefit liabilities. An overliberal program would work to discourage this praiseworthy self-reliance.

Certainly the present bill, H. R. 9366, goes no further than basic principles justify. Few persons will be content to look forward to the benefits provided by this bill without making some effort to save and supplement these benefits through their own initiative.

We venture the further hope that the stabilized value of the dollar which has prevailed during the last year or two may continue. Drastic fluctuations are particularly hard upon those who are dependent on OASI or other fixed income for their livelihood. The value of the benefits provided by H. R. 9366 will depend in the long run on how successful we are in keeping our dollar from depreciating.

Mr. SHOEMAKER. I should prefer to touch informally on some of the more controversial points of the bill before you. I wish to say that I have talked with literally dozens of people in my home State of Utah and I find them almost unanimous in support of this measure. They may differ on some small points involved in the bill, but on the whole they believe it is a great step forward for the benefit of the program for the aged.

It has been brought out a good many times that the public assistance program is largely dependent upon the OASI program. To illustrate

that, I wish to point out that in my own State of Utah, of all of our old-age grants, 16 percent are to supplement OASI payments, where the amount received in OASI is not sufficient to maintain a decent standard of living. The average amount received from OASI by those whom we supplement is $31.34 monthly, to which the State of Utah, with State and Federal funds, adds an additional $41.38. The average OASI payment is, according to our local office, $50.04 per month, whereas the average public assistance payment to the old person is $59.80. Thus we have a situation where the recipient of public assistance on the average receives almost $10 more per month than the recipient of OASI. This does not appeal to our sense of equity, to have a program where there is no contribution made whatsoever but which exceeds in amount the program where contributions are made, in however small an amount.

H. R. 9366 will bring some measure of correction to this situation, we believe. As nearly as we can estimate, in our own State it will raise the level of the payments of OASI to approximately the same amount that we are paying for public assistance.

I have gone through with great interest the statement of the Secretary of HEW relative to this whole situation, and in generalizing we should endorse it strongly. There is, however, one provision which she mentions and which I believe has already been mentioned by Mrs. Evans with which we cannot agree. That is relative to the 50-50 matching on supplements to OASI recipients. It is not the monetary point so much as the principle of the thing. In other words, we set up the OASI benefit program. It is not a Federal bounty program. It is a State program which is financed by contributions from employer and from employee. Why, then, should it be regarded in any other light than any other income such as private insurance or earnings of the individual? I can see no good reason for that whatsoever. Furthermore, such an action would discriminate against those States which are paying a high level of grants to their recipients.

It is obvious that if a State has a low level of grants, there would be very little supplementing of OASI payments. If they have a high level of grants, they are going to do a lot of supplementing.

The low-level States will not feel this. The high-level States will find the cost considerable. As a matter of fact, our accounting department went into this thing quite thoroughly. Taking into consideration all of the benefits which would accrue to State funds from the other provisions of H. R. 9366, if the Secretary's recommendation is put into effect, we would still lose $3.90 per client on everybody we supplement. It is not that we object to that so much, but we do not think it is equitable. We think if the matching is going to be changed, it should be changed on all income rather than singling out just OASI.

It is also interesting to note that there is no continuing relationship between the amount which is paid by the States in public assistance to old people and the per capita income. To illustrate that, in our own State of Utah we would rather have a higher average of income than we now have. It is a rather low income. We are 30th in the Nation. Our old-age grant and public assistance is 11th. In contrast, the State which has the highest per capita income in the Nation is 30th in the amount which is given to its old people. Therefore, if you penalize high-grant States, you are not penalizing just high-

income States. You are also penalizing a great many low-income States. It is for that reason that we oppose very strongly in our State the recommendation of the Secretary, even though we endorse heartily the great bulk of her recommendations.

The McFarland amendment has been mentioned by other persons this morning. I do not want to dwell on it. It seems to me that there is another reason, however, for retaining this for another 2 years which has not been advanced thus far. That is that your body has created the Commission on Intergovernmental Relations which is delving into the Federal grants-in-aid of all kinds, including welfare. It is quite conceivable that when they report to you on March 1 of next year that as a result of their report there may be some radical changes which you will make in the relationships between States and the Federal Government in welfare. In the meantime it seems to me tremendously important that we should maintain a level program up to the time when the decision is made as to whether these changes are going into effect.

By a level program I mean one which considers the client, where he may depend upon somewhat of a stable income. His income ordinarily is very small. It covers the bare necessities of life. To juggle it up and down is disconcerting to him. Therefore we believe that it is well to continue the McFarland amendment until this determination has been made and we suggest a 2-year extension.

I would like to mention in passing a plan advanced by the chamber of commerce to your committee a day or two ago, and which I read in the papers. I personally am a strong member of the chamber of commerce. I have paid my dues and I am active, but I am utterly opposed to this proposal. I consider it unethical to tap a trust fund which has been set up by the contributions of employers and employees for the benefit of persons who have never contributed a cent, not even a token, to that fund, and furthermore, many of whom do not even need it.

Let us take our own State, for instance. Out of every 10 old people over 65, 2 are recipients of public assistance. That is about the national average. Three are recipients of OASI, social sesurity. Of course, there is some overlapping there, as I have stated. Therefore, more than half of our old people are receiving neither, and therefore it is to be assumed they do not need it. They have other resources. Why, then, should we deal them out $30 a month whether they need it or not? To me, as a chamber of commerce member, I am utterly revolted by this thing. I do not know how they went off the track in this manner. I have talked to many other members who feel the same way that I do. I do not believe that the bulk of the members of the chamber of commerce, if they understood the situation, would be behind it.

I want to say just a word in closing about the philosophy behind the OASI plan, as I understand it. My idea is that this plan was set up for the protection of the individual in his old age from want and poverty, and on the other hand for the protection of society so that it would not be forced to deal out public charity to many people in their old age. My conception is that this program was never meant to go beyond supplying the absolute bare necessities of life to the individual. The minute that we have a program that goes beyond that we discourage private thrift and private initiative. I think you

all know that at the present time an average age at which persons go on the OASI program and receive their first checks is not 65 years of age. It is between 68 and 69 years of age. Certainly that is a tremendous tribute to the American people, that they have the initiative and the enterprise to stay off this OASI program, to earn their own livings as long as they can possibly do so.

If we set up a program that supplies some of the luxuries of life as well as the necessities, you are going to discourage this traditional American thrift. You are going to have a program where everybody goes on at 65 years of age and you are going to have a much more costly program than you have at the present time. The salvation, in my opinion, of this social-security program at this moment is the fact that people do stay off until the age of 68 or 69 and it certainly is not a situation which we wish to change.

There are certain individuals and certain organizations in this country who do not believe as I believe in this matter. They may be expected to come back time after time in the next 10 or 15 years for increased benefits beyond the reach of reason. They may be expected to come back doing this. More of them later, because during this period increased benefits would not reflect actual cost as much as they will later on when this proposition gets into more of an actuarial basis.

Thank you very much.

Senator CARLSON. We thank you, Mr. Shoemaker, for your statement.

The next witness is Mr. L. E. Rader, director of the Oklahoma State Department of Public Welfare.

Senator BENNETT. Mr. Chairman, before Mr. Rader takes the stand, may I express my appreciation for the statement made by Mr. Shoemaker, who is the head of the department in my State. I think he has given us a very thoughtful and valuable contribution to the hearings.

Senator CARLSON. Is Mr. Rader present?

Mr. Rader, will you please come forward?

STATEMENT OF L. E. RADER, DIRECTOR, OKLAHOMA STATE DEPARTMENT OF PUBLIC WELFARE

Senator CARLSON. Mr. Rader, I am somewhat familiar with your work, being from Kansas, a neighbor of the great State of Oklahoma. We are very happy to have you here this morning.

Mr. RADER. Thank you, Mr. Chairman.

My name is L. E. Rader. I am director of the Department of Public Welfare of the State of Oklahoma, and have been such director since 1951. I appreciate the privilege of appearing before the Senate Finance Committee.

I have read and am familiar with the provisions of House bill 9366, and in general endorse said provisions as set out in said House bill.

As this bill applies to Oklahoma, I believe I am justified in calling to the attention of this honorable committee certain provisions which, in my judgment, would be of much benefit to all recipients of categorical assistance in Oklahoma. The provision that I desire particularly to call to your attention is the provision which includes farm laborers who have earned as much as $50 in any quarter from any one

employer and the same provision as it relates to domestic help. The experience of this department discloses that these 2 particular classes of workers are the ones who, when reaching the age of 65, need assistance most under the categorical assistance programs.

Another admirable and beneficial provision of this bill is the freezing of the rights of those employed individuals who become totally disabled. I am of the further opinion that the increasing of the earnings base from $3,600 to $4,200, and the increase in the benefit formula are excellent provisions of the bill in that they will permit the payment of a more reasonable benefit to those covered and will have a tendency to more nearly provide a reasonable standard of living for those entitled to its benefits upon reaching the age of retirement. This would, in itself, make a gradual decrease in the amount necessary to meet the residual needs of the individual upon reaching the age of retirement which is now being met by public assistance. This bill is beneficial to the general working population of the State in that it broadens the coverage and permits those who are now covered by existing retirement plans to accept the benefits of the provisoins of this bill. The provisions of this bill will more nearly provide equitable insurance plans for the overall general working population of the Nation than is now available to such workers.

As director of public welfare in Oklahoma, I am satisfied with the present matching provision of the assistance programs, and I believe that it should continue until there is a more equitable method than any so far proposed. Due to the method of operation by the various States on a fiscal-year basis and the fact that a number of the legislatures in various States will not again meet until January of 1956, I emphasize the necessity of continuing the so-called McFarland amendment in the present law. I urge this honorable committee to extend the expiration date of the present matching formula to allow sufficieint time for the legislature of every State to have an opportunity to enact necessary legislation to take care of the conditions existing in each State.

The date to which this so-called McFarland amendment should be extended may be open to some question. It would be my recommendation that it actually should be extended through June 30, 1957, but in no case should it be earlier than September 30, 1956.

Senator CARLSON. Mr. Rader, we appreciate very much your statement.

Senator GEORGE. May I ask the question?

Senator CARLSON. Certainly, Senator George.

Senator GEORGE. Mr. Rader, I take it that you favor the wage base of $4,200 in the bill. Would you go higher?

Mr. RADER. No, sir, not at this time.

Senator GEORGE. You would not favor going above the $4,200?

Mr. RADER. No, sir.

Senator CARLSON. Are there further questions?

Senator Kerr?

Senator KERR. No question, Mr. Chairman, I just want to say that Mr. Rader has established himself as a very eminent and able administrator of this program in Oklahoma. His views come to us after much experience and deliberation not only by himself but by a very able staff. I want to join the present chairman and the Senator from Utah and others who have expressed their desire to see the recommendations of Mr. Rader and Mr. Davis, from Colorado,

and Mr. Shoemaker, from Utah, adopted which would, among other things, extend the so-called McFarland amendment into 1957.

Senator CARLSON. Senator Kerr, these people are the people out in the field and really know the operations of the program.

Senator KERR. Yes, they do.

Senator CARLSON. If there are no further questions, we thank you, Mr. Rader.

The next witness is Mrs. Barbara C. Coughlan, director, Nevada State Welfare Department.

Senator MALONE. Mr. Chairman, I would just like to introduce Mrs. Coughlan from our State of Nevada. She is quite a ways from home, some 3,000 miles. I did want to tell you that she has had long experience in this work, serving in two administrations out there, first the Democratic administration and the Republican administration. She is well liked and understands her work. Nevada does have some special problems and that is what she has come to tell us about.

I just wanted you to know her background.

Senator CARLSON. Mrs. Coughlan, you come here with very good recommendations and a good introduction. You may proceed in any way you care to.

STATEMENT OF MRS. BARBARA C. COUGHLAN, DIRECTOR, NEVADA STATE WELFARE DEPARTMENT

Mrs. COUGHLAN. I am pleased to have this opportunity to appear before the Senate Finance Committee to present testimony on the proposed social-security legislation you are now considering. Today marks the first appearance of a representative of the Nevada State Welfare Department before any congressional committee, ample evidence that we feel the legislation is vitally important to our State.

The proposed extension of old-age and survivors-insurance coverage under H. R. 9366 will provide retirement and survivorship protection for the third largest group of workers in Nevada—those engaged in ranching and farming. In addition, a substantial number of our residents who are self-employed professional people and domestic workers will be insured.

I believe that such extension of coverage is an absolute necessity. As late as 1949 almost three-fourths of the persons granted old-age assistance in the Far West were not receiving old-age and survivors insurance. Approximately one-half of those who did not receive OASI had been employed but not in covered industry. The other one-half had not been employed since 1936. This failure to have adequate coverage of occupations in the early days of the program accounts for at least one-third of the persons on old-age assistance in Nevada and other States in the Far West today.

The 1950 social-security amendments, which provided some extension of coverage and increase of benefits, gradually leveled off what had been an upward spiraling in old-age-assistance caseload. The further extension of coverage proposed under H. R. 9366 also eventually will reduce the need for old-age assistance, but the effect will not be immediate because of the time required for newly covered workers to gain wage credits. Neither is it expected to greatly reduce the actual number of persons receiving old-age assistance in the near future because of the rapid growth of our aged population. The number of persons over 65 years of age has doubled in the last 15

years, resulting in an increase in aged population greater than that of California and exceeded only by Florida and Arizona. Since such continued growth seems likely for the next decade or two, it is estimated that approximately the same number of persons will receive old-age assistance although they will represent a progressively smaller proportion of our total aged population. Without the extension of coverage proposed under H. R. 9366, we would be forced to anticipate an increase in the old-age-assistance caseload paralleling that of our aged population.

Another feature of H. R. 9366 which we wholeheartedly support is the proposed increase in benefits for both present and future beneficiaries of OASI. More adequate benefits are essential if the OASI program is to achieve its purpose of insuring a decent standard of living for retired workers, their dependents and survivors. In Nevada we find the present amount of OASI benefits sharply unrealistic in relation to the cost of living. Actual pricing studies show that the average single person on old-age assistance requires about $86 a month to provide him with a standard of living compatible with decency and health. The present OASI payment to persons over 65 years of age in our State averages just $45.24.

One-fourth of our aged beneficiaries of OASI require supplementation from old-age assistance because of this marked discrepancy between OASI benefits and the cost of living. About 80 percent of these individuals would have their old-age-assistance payments reduced if their OASI benefits were increased as proposed under H. R. 9366. This would result in reduction of old-age-assistance expenditures of about $44,400 a year, of which $17,400 would be from Federal funds and $27,000 from State and local funds. Approximately 20 percent of those persons who receive OASI and old-age assistance concurrently would still have insufficient income from both of these sources to meet all of their living requirements.

The long-range combined effect of the proposed extension of coverage and increase of benefits under the OASI program will be to reduce old-age assistance to a small residual program. It is not anticipated, however, that there will be an appreciable effect on the old-age-assistance caseload of Nevada for 5 or 6 years because of 2 factors:

(1) The rapid increase in the aged population; and

(2) The high cost of living.

I should like to speak briefly about that provision of H. R. 9366 which proposes to extend the present Federal matching formula for public assistance until September 30, 1955. Despite their willingness to do so, Nevada and its counties on that date would be unable to make up the difference in Federal matching necessary to maintain the present level of assistance; 10 of the 17 counties, having 80 percent of the caseload, are at the $5 constitutional limit on property tax rate, their major source of tax revenue. In the process now going on of setting 1954–55 tax rates it is apparent that several more counties will come up against the $5 limit. Consequently there is no additional tax revenue to finance the counties' 45 percent share of any decrease in Federal matching. The estimated savings to the State and counties as a result of increased OASI benefits would amount to only one-fourth of the money needed to offset the reduction in Federal matching.

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This means that the bulk of any loss in Federal funds would have to be passed on to the recipients themselves. Over half of the persons receiving old-age assistance could ill afford such a cut as the present $63 maximum payment already falls far short of meeting their basic living requirements.

For this reason it is respectfully recommended that the present matching formula for public assistance be extended indefinitely. Specifying an expiration date for the present formula seems unnecessary since the broadened and increased OASI program will decrease public assistance expenditures automatically in time.

The testimony of the Secretary of Health, Education, and Welfare before this committee included a suggestion that Federal matching for those old-age assistance payments which are supplementary to OASI benefits be at a 50-50 rate rather than at the higher rates applicable to the first $25 of an old-age assistance payment. This proposal would reduce Federal matching to Nevada by $7,500 a month—or $90,000 a year.

I know that these amounts seem insignificant when you are used to hearing money spoken of in the bills, but believe me, as Senator Malone knows, these amounts are significant to a budget the size of Nevada's. As stated previously, the State and counties will save an estimated $27,000 a year as a result of the proposed increase in OASI benefits, leaving a difference of about $63,000. Since the limited fiscal ability of the majority of the counties would preclude making up this difference, it is earnestly recommended that such a differential in the Federal matching formula not be adopted.

On behalf of those persons of Nevada who are dependent on social-security programs for their source of support, I thank you for your kind attention. We are confident that your action in this matter will be based on full consideration of every aspect which so vitally affects the welfare of these people.

I should like to propose for your consideration that the attached exhibits be incorporated in the record.

Senator CARLSON. They will be made a part of the record and a part of your statement.

(The exhibits referred to above are as follows:)

EXHIBIT I

OASI benefit status, Far West[1]—All individuals accepted for OAA in April 1949 who were receiving OAA in March 1950

	Total	Male	Female
Number of recipients	6,228	2,592	3,636
Total, percent	100.0	100.0	100.0
Receiving OASI benefit	26.1	36.1	19.0
Primary benefit	18.5	35.9	6.1
Other type	7.6	.2	12.9
Not receiving OASI benefit	73.9	63.9	81.0
Had enough quarters of coverage to qualify	1.2	2.3	.3
Had enough total employment but not enough coverage	25.0	42.1	12.9
Had some employment but not enough of any kind	9.0	8.3	9.4
Had no employment after 1936	34.5	6.7	54.3
Employment record incomplete	4.2	4.4	4.1

[1] Washington, Oregon, California, and Nevada.

Source: Recipients recently approved for OAA: Status with respect to OASI, March 1950, Federal Security Agency, Public Assistance Report No. 20, p. 15.

EXHIBIT II

Population aged 65 and over, by State, 1940–50 (States listed according to proportion of increase in aged population)

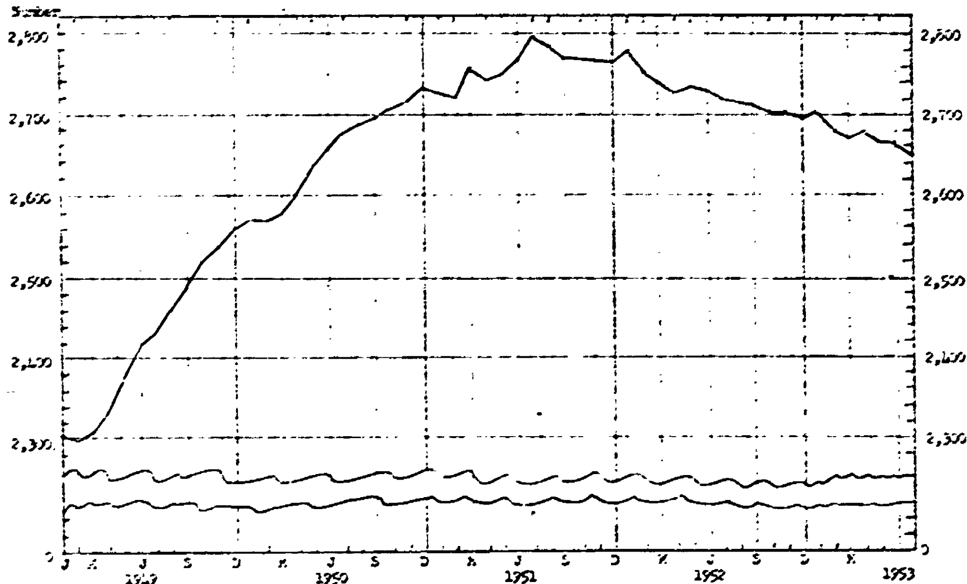
	1940 [1]	1950 [2]	Change	Percent increase
Arizona	23,909	44,241	20,332	85.04
Florida	131,217	237,474	106,257	80.98
Nevada	6,800	10,986	4,186	61.56
California	555,247	895,005	339,758	61.19
Louisiana	119,003	176,849	57,846	48.61
Texas	347,495	513,420	165,925	47.75
Washington	144,320	211,405	67,085	46.48
Alabama	136,209	198,648	62,439	45.84
Wyoming	12,558	18,165	5,607	44.65
North Carolina	156,540	225,297	68,757	43.92
Oregon	92,728	133,021	40,293	43.45
New Mexico	23,284	33,064	9,780	42.00
South Carolina	81,314	115,005	33,691	41.43
New Jersey	278,821	393,989	115,168	41.31
Utah	30,215	42,418	12,203	40.39
Montana	36,257	50,864	14,607	40.29
Michigan	330,854	461,650	130,796	39.53
Arkansas	107,200	148,935	41,735	38.91
Virginia	154,944	214,524	59,580	38.45
Georgia	158,714	219,655	60,941	38.40
District of Columbia	41,206	56,687	15,481	37.57
Connecticut	128,554	176,824	48,270	37.55
Idaho	31,700	43,537	11,837	37.34
West Virginia	100,974	138,526	37,552	37.19
Tennessee	171,778	234,884	63,106	36.74
New York	922,356	1,258,457	336,101	36.44
Oklahoma	144,934	193,922	48,988	33.80
Colorado	86,438	115,592	29,154	33.73
Illinois	567,963	754,301	186,338	32.81
Mississippi	115,418	152,964	37,546	32.53
Maryland	123,516	163,514	39,998	32.38
Ohio	539,729	708,975	169,246	31.36
Pennsylvania	677,468	886,825	209,357	30.90
Rhode Island	54,284	70,418	16,134	29.72
Delaware	20,566	26,330	5,764	27.98
Wisconsin	242,182	309,917	67,735	27.97
Massachusetts	368,974	468,436	99,462	26.96
Minnesota	212,618	269,130	56,512	26.58
Indiana	288,036	361,026	72,990	25.34
Missouri	325,745	407,388	81,643	25.06
South Dakota	44,440	55,296	10,856	24.43
Kentucky	189,284	235,243	45,959	24.28
Kansas	157,136	194,218	37,082	23.60
Nebraska	105,632	130,379	24,747	23.43
North Dakota	39,390	48,196	8,806	22.36
Iowa	227,767	272,998	45,231	19.86
New Hampshire	48,720	57,793	9,073	18.62
Maine	80,325	93,562	13,237	16.48
Total	9,019,314	12,269,537	3,250,223	36.04

[1] Statistical abstract of the United States, 1949; p. 31-39, table No. 47.
[2] Statistical abstract of the United States, 1953; p. 32-33, table No. 22.

Testimony of Barbara C. Coughlan
before Senate Finance Committee
July 9, 1954

Exhibit III

OLD AGE ASSISTANCE RECIPIENTS, NEVADA, 1949-1953



Nevada State Welfare Department, 7-2-54

EXHIBIT IV

Old age assistance recipients, Nevada, January 1948–May 1954

	1948	1949	1950	1951	1952	1953	1954
January	2,113	2,303	2,560	2,740	2,770	2,708	2,645
February	2,113	2,290	2,563	2,758	2,751	2,681	2,641
March	2,125	2,308	2,573	2,755	2,742	2,676	2,650
April	2,119	2,338	2,580	2,743	2,728	2,680	2,645
May	2,136	2,382	2,630	2,750	2,737	2,665	2,645
June	2,146	2,430	2,650	2,769	2,734	2,665	
July	2,161	2,433	2,672	2,790	2,722	2,648	
August	2,181	2,463	2,688	2,784	2,716	2,659	
September	2,210	2,493	2,696	2,770	2,710	2,655	
October	2,238	2,519	2,709	2,772	2,706	2,656	
November	2,251	2,530	2,722	2,768	2,705	2,651	
December	2,275	2,557	2,742	2,767	2,690	2,651	

EXHIBIT V

Typical assistance budget, Nevada, March 1953

	Individual	Couple		Individual	Couple
Food	[1]$32.85	[1]$59.70	Personal needs	[1]$7.80	[1]$15.60
Shelter	[2]12.50	[2]31.00	Other (transportation, telephone, medical, etc.)	[2]3.80	[2]4.30
Fuel and utilities	[2]14.20	[1]16.75			
Household operations	[1]8.15	[1]10.40			
Clothing	[1]6.30	[1]13.00	Total	85.90	152.75

[1] Standard allowance based upon pricing of established quantities and qualities of such items throughout the State; for example, food allowance is for low cost diet, with weighting B, as developed by Bureau of Human Nutrition of U. S. Department of Agriculture.

[2] May vary with locality in State, and actual cost to individual up to a maximum allowance. Figure shown is median allowance as determined from budget survey.

Source: Study of Requirements, Incomes, Resources, and Social Characteristics of Recipients of Old-Age Assistance, Nevada, March 1953.

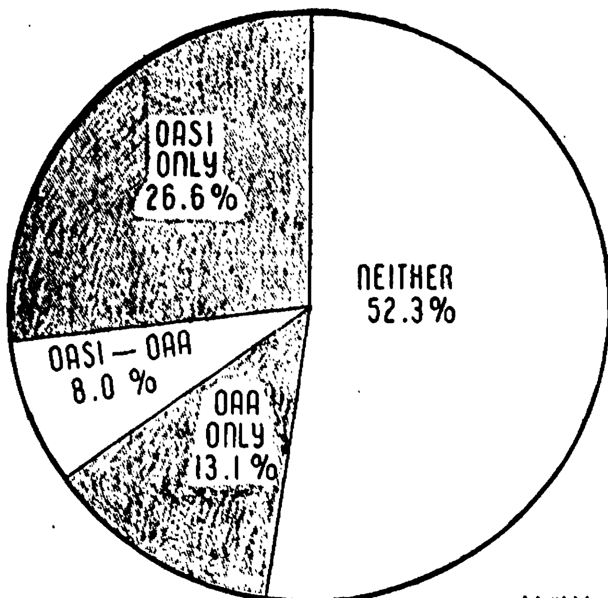
EXHIBIT VI

Data on supplementation of old age and survivor's insurance benefits by old-age assistance, Nevada, February 1954

Total OASI recipients, aged 65 and over	4,328
Number receiving supplementation from OAA	1,001
Percent receiving supplementation from OAA	23.1
Total OASI payments to persons aged 65 and over	$105,722
OASI payments to persons receiving OAA supplementation	30,012
Percent of payments to persons receiving OAA supplementation	20.4
Average OASI payment to person aged 65 and over	$15.24
Average OASI payment to persons receiving OAA supplementation	$30.87
Total OAA recipients	2,641
Number also receiving OASI	1,001
Percent in concurrent receipt of OAA and OASI	37.9
Total OAA payments	$150,482
OAA payments to persons receiving OASI	50,616
Percent of OAA payments to those receiving OASI	33.6
Average OAA payment	$56.98
Average OAA payment to persons receiving OASI	$50.57

EXHIBIT VII

RECEIPT OF OAA & OASI BY AGED IN NEVADA FEBRUARY 1954



Testimony of Barbara C. Coughlan
Before Senate Finance Committee
July 9, 1954

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EXHIBIT VIII

Dependence of aged in Nevada on old-age and survivor's insurance and on old-age assistance—February 1954

Estimated population, aged 65 and over	12,500
Number receiving OASI only	3,325
Percent receiving OASI only	26.6
Number receiving both OAA and OASI	1,001
Percent receiving both OAA and OASI	8.0
Number receiving OAA only	1,640
Percent receiving OAA only	13.1
Number receiving neither OAA nor OASI	6,534
Percent receiving neither OAA nor OASI	52.3

Exhibit IX

Distribution of old-age assistance payments to persons in concurrent receipt of old-age and survivors insurance benefits, February 1954, and estimated savings which will result from the increase in OASI benefits as proposed by H. R. 9366, Nevada

Amount of old-age assistance payment	Number of old-age assistance payments	Estimated reductions which will result from receipt of increased OASI benefits	Total monthly savings [1]
Total	1,001		$3,705
Under $5	4	Assistance discontinued	10
$6-$62	634	OAA decreased by amount of OASI increase, average $5.	3,170
$63	363	Slightly less than ½ will have decreases in OAA: 35 at $5 equals $175 35 at $4 equals $140 35 at $3 equals $105 35 at $2 equals $70 35 at $1 equals $35 188 at no reduction	525

[1] State and local money involved in total savings amounts to—

100 percent of savings in grants at $63	$525
100 percent of savings in grants under $63 not reduced to under $55	300
50 percent of savings in other grants reduced	1,430
Total State and local money	2,255
Total Federal money	1,450
Total savings	3,705
Annual savings:	
Total, approximately	44,400
State and local, approximately	27,000
Federal, approximately	17,400

Exhibit X

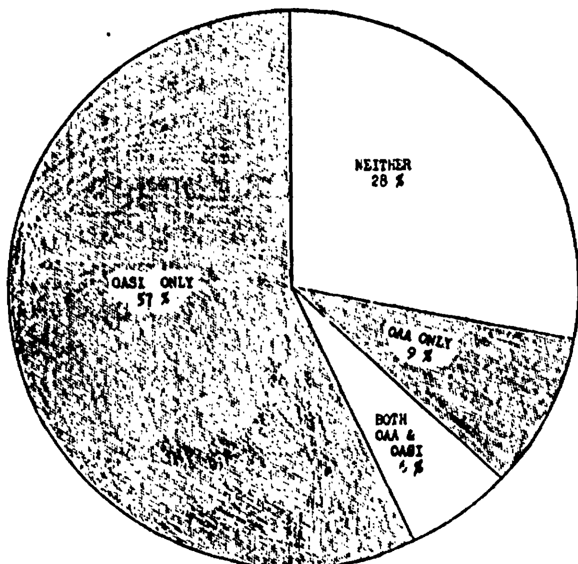
Estimate of State population aged 65 and over, receipt of OASI, and OAA, Nevada, 1960

Population, aged 65 and over, Nevada, 1950	10,986
Increase in aged population, 1940 to 1950, percent	61.56
Estimated increase in aged population, 1950 to 1960, percent	55
Estimated population, aged 65 and over, Nevada, 1960	17,000
Percent of aged currently insured or beneficiaries of OASI	46
Percent of aged currently receiving OASI benefits	35
Insured but not drawing benefits, percent	11
Estimated aged entitled to draw OASI in 1960, percent	75
Less estimated aged entitled to but not drawing OASI, percent	12
Estimated OASI beneficiaries, percent	63
Not insured or not drawing OASI, percent	36
Estimated OAA recipients, 2,600, percent	15
Estimated OAA recipients also receiving OASI, 1,000, percent	6
Recapitulation:	
Estimated population aged 65 and over, Nevada, 1960	17,000
Estimated receiving OASI only (63 percent minus 6 percent), 57 percent	9,700
Estimated reciving both OASI and OAA, 6 percent	1,000
Estimated receiving OAA only, 9 percent	1,500
Estimated receiving neither OAA nor OASI, 28 percent	4,800

Testimony of Barbara C. Coughlan
Before Senate Finance Committee
July 9, 1954

Exhibit XI

ESTIMATED RECEIPT OF OLD-AGE ASSISTANCE
AND OLD AGE AND SURVIVORS INSURANCE
BY AGED IN NEVADA
1960



Nevada State Welfare Department
July 3, 1954

EXHIBIT XII

Nevada—Changes[1] in old-age assistance payments and in Federal funds for assistance resulting from 1952 amendments to Social Security Act

Year and month	Paid OAA cases	Total OAA payments	Average OAA payment	Federal share of OAA payments	Average Federal share	Remarks
1952—August	2,736	$150,079	$54.85	$79,760	$29.15	
September	2,740	150,145	54.80	79,793	29.12	Month before changes.
October	2,731	155,028	56.77	90,822	33.26	Changes made in payments.
November	2,729	155,157	56.85	90,812	33.28	
December	2,726	155,378	57.00	90,850	33.33	
1954—March	2,678	152,519	56.95	88,966	33.22	

[1] All persons receiving old-age assistance in Nevada had the amount of their grants recomputed as of October 1952. No changes in budgeted need were made at this time (see exhibit V for typical OAA budget) but the State maximum on payments was raised from $58 to $63. Thus the full $5 extra Federal participation was passed on to all persons who did not have needs fully met. After taking into consideration increased OASI, average OAA payments increased approximately $2.10 and average Federal participation about $4.15 per case.

EXHIBIT XIII

Nevada—Loss of Federal funds when McFarland amendment expires and State and county funds needed to replace lost Federal funds based on typical month, February 1954

Counties	OAA recipients February 1954	Total loss (recipients times $4.15)[1]	State, 55 percent	County, 45 percent
Churchill	248	$1,029.20	$566.06	$463.14
Clark	536	2,224.40	1,223.42	1,000.98
Douglas	25	103.75	57.06	46.69
Elko	162	672.30	369.76	302.54
Esmeralda	23	95.45	52.50	42.95
Eureka	34	141.10	77.60	63.50
Humboldt	91	377.65	207.71	169.94
Lander	55	228.25	125.54	102.71
Lincoln	60	249.00	136.95	112.05
Lyon	101	419.15	230.53	188.62
Mineral	92	381.80	209.99	171.81
Nye	129	535.35	294.44	240.91
Ormsby	67	278.05	152.93	125.12
Pershing	60	249.00	136.95	112.05
Storey	15	62.25	34.24	28.01
Washoe	779	3,232.85	1,778.07	1,454.78
White Pine	164	680.60	374.33	306.27
Total	2,641	10,900.15	6,028.08	4,932.07

[1] Average gain per case in Federal funds as a result of 1952 amendments to Social Security Act.

Annual loss of Federal funds, approximately $131,500.

EXHIBIT XIV

Nevada—Distribution of old-age assistance cases, and payments by counties, classified by whether or not county has additional taxing power, February 1954

County	OAA recipients	OAA payments
State total	2,641	$150,482
I. Counties without additional taxing power (now at $5 constitutional limitation):		
Churchill	248	14,443
Clark	536	30,125
Esmeralda	23	1,310
Lyon	101	5,630
Mineral	92	4,952
Nye	129	7,469
Ormsby	67	3,898
Storey	15	825
Washoe	779	44,767
White Pine	164	8,980
Total	2,154	122,399
Percent	81.6	81.3
II. Counties with additional taxing power (present rate under $5 limitation):		
Douglas	25	$1,355
Elko	162	9,129
Eureka	34	2,059
Humboldt	91	5,354
Lander	55	3,140
Lincoln	60	3,320
Pershing	60	3,526
Total	487	28,083
Percent	18.4	18.7

EXHIBIT XV

Percentage of old-age assistance recipients with unmet need and difference between need as determined and assistance payments, Nevada, March 1953

Difference	No spouse or spouse not receiving OAA	Spouse also receives OAA
Total number [1]	2,289	407
Total percent	100.0	100.0
None or less than $1	49.6	67.0
$1 to $1.99	3.4	1.5
$2 to $4.99	9.7	6.3
$5 to $9.99	12.4	4.8
$10 to $19.99	14.1	7.8
$20 to $29.99	5.1	5.8
$30 to $39.99	2.4	3.4
$40 to $49.99	1.3	2.9
$50 and over	1.9	.5
Payment exceeded need	0	0

[1] Estimate on basis of sample of 1,354 recipients.

Source: Study of requirements, incomes, resources, and social characteristics of recipients of old-age assistance, Nevada, March 1953.

EXHIBIT XVI

Nevada—Monthly loss in Federal funds if Federal matching placed on straight 50–50 basis where OASI also received

Counties	OAA-OASI recipients	Total loss (recipients × $7.50)	State, 55 percent	County, 45 percent
Churchill	64	$480.00	$264.00	$216.00
Clark	274	2,055.00	1,130.25	924.75
Douglas	6	45.00	24.75	20.25
Elko	37	277.50	152.62	124.88
Esmeralda	10	75.00	41.25	33.75
Eureka	8	60.00	33.00	27.00
Humboldt	28	210.00	115.50	94.50
Lander	14	105.00	57.75	47.25
Lincoln	15	112.50	61.88	50.62
Lyon	28	210.00	115.50	94.50
Mineral	28	210.00	115.50	94.50
Nye	40	300.00	165.00	135.00
Ormsby	16	120.00	66.00	54.00
Pershing	19	142.50	78.38	64.12
Storey	10	75.00	41.25	33.75
Washoe	339	2,542.50	1,398.38	1,144.12
White Pine	65	487.50	268.12	219.38
Total	1,001	7,507.50	4,129.13	3,378.37

EXHIBIT XVII

Aged beneficiaries of old-age and survivors insurance, amount of payment and average benefit, by State, June 1953

[States arrayed in order of size of average benefit]

	Persons aged 65 and over receiving benefits [1]	Amount of benefits	Average OASI benefit
Connecticut	83,019	$4,110,813	49.50
New Jersey	180,715	8,701,405	48.15
Michigan	191,401	9,183,298	47.98
Massachusetts	211,991	10,080,136	47.55
Rhode Island	36,333	1,714,992	47.18
Pennsylvania	377,015	17,744,321	47.07
New York	532,691	24,873,684	46.69
Illinois	276,209	12,865,038	46.58
Ohio	272,005	12,629,338	46.43
Delaware	10,347	472,516	45.67
Washington	89,335	4,038,816	45.21
California	371,590	16,774,800	45.14
District of Columbia	15,851	715,267	45.12
Maryland	57,930	2,582,931	44.59
Nevada	4,123	183,731	44.56
Florida	103,902	4,613,612	44.40
New Hampshire	24,670	1,092,591	44.29
Wisconsin	106,385	4,704,015	44.22
Oregon	58,430	2,562,622	43.86
West Virginia	52,101	2,283,310	43.82
Indiana	127,391	5,563,181	43.67
Arizona	15,579	677,800	43.51
Minnesota	76,033	3,273,218	43.05
Missouri	113,327	4,859,555	42.88
Maine	39,834	1,694,755	42.55
Wyoming	5,311	225,722	42.50
Vermont	13,228	561,875	42.48
Colorado	34,982	1,481,815	42.36
Utah	13,703	576,974	42.11
Montana	14,297	600,051	41.97
Virginia	59,212	2,451,145	41.40
Kentucky	57,700	2,308,178	40.00
Iowa	63,717	2,542,690	39.91
Kansas	44,877	1,777,354	39.61
Idaho	12,812	502,189	39.20
Nebraska	27,314	1,070,709	39.20
Louisiana	43,030	1,684,427	39.15
Texas	117,118	4,580,291	39.11
North Carolina	54,895	2,134,136	38.88
Oklahoma	41,809	1,625,636	38.88
South Carolina	25,329	982,676	38.80
New Mexico	7,332	284,130	38.75
Alabama	49,516	1,904,811	38.47
South Dakota	9,113	348,032	38.19
Georgia	49,177	1,877,600	38.18
Tennessee	53,633	2,044,893	38.13
North Dakota	6,951	258,323	37.16
Arkansas	32,247	1,152,024	35.72
Mississippi	22,864	796,752	34.85
Total (including District of Columbia)	4,288,431	191,708,500	44.72

[1] All beneficiaries except "mother" and "child."

Source: Social Security Bulletin, October 1953, vol. 16, No. 10, p. 23.

Senator CARLSON. If there are no questions, we thank you very much, Mrs. Coughlan.

The next witness is Charles I. Schottland, director of the California State Department of Social Welfare.

Mr. Schottland, we are very happy to have you here.

STATEMENT OF CHARLES I. SCHOTTLAND, DIRECTOR CALIFORNIA STATE DEPARTMENT OF SOCIAL WELFARE

Mr. SCHOTTLAND. Thank you, Mr. Chairman. My name is Charles I. Schottland. I am director of the Department of Public Welfare of the State of California.

I am happy to appear before the Finance Committee of the United States Senate to endorse H. R. 9366, both in my capacity as director of a State department of public welfare which has the largest public assistance program for the aged in the United States and also as chairman of the Council of State Public Assistance and Welfare Administrators of the American Public Welfare Association. Our council is composed of the various State department heads who for the most part are appointed by and responsible to the governors of the respective States.

These State directors are the people on the firing line in connection with problems of income maintenance for the aged. We are the public officials to whom the old people come for help when their income stops. We have, therefore, a compelling interest in any program which assures continuing income to aged persons. State directors have looked with great concern on the growing number of aged in the United States who have little or no income or savings. As the number of persons over 65 has increased from 9 million in 1940 to 12 million in 1953, as the average age of our senior citizens over 65 has continued to increase, as employment policies and private-pension programs have resulted in the termination of employment for many older persons, as all of these and other factors have produced an increasing total number of senior citizens without income, welfare directors have seen more and more of the aged depending upon two basic sources for income to purchase food, clothing, shelter, medical care, and other necessary items. These two sources of income are old-age and survivors insurance and old-age assistance.

The welfare directors of this country have in the past almost unanimously endorsed the expansion of OASI because we believe in, and support a wage-related, contributory social-insurance program. We believe that the ultimate goal of OASI should be: (1) The inclusion in its provisions of all of the gainfully employed and their dependents, and (2) provision for a benefit payment which is adequate so that all persons past the retirement age may be able to maintain health and a decent living standard.

The impact of OASI on the old-age assistance program which we administer has been increasingly significant. Today there are almost 6 million beneficiaries of OASI, approximately 2,600,000 recipients of old-age assistance, and approximately 450,000 persons in the United States who receive both.

Because a substantial number of witnesses have presented complete facts, figures, and analyses of H. R. 9366, I shall not attempt to do so in this brief presentation; rather I should like to point out a few general facts from the point of view of an administrator of old-age assistance. May I use California as a case in point.

California has 371,000 OASI beneficiaries age 65 or over. We also have 272,000 recipients of old-age assistance. Ninety thousand persons received both OASI and old-age assistance. H. R. 9366 will have an almost immediate effect on the 90,000, since it will raise the average

payments they receive from OASI. But more than that, H. R. 9366 will begin to tackle the problem typified by the remaining 180,000 persons receiving old-age assistance who are ineligible to OASI. They are not eligible because during their working days they were not covered, or in the case of the large number of women receiving old-age assistance, they never had work experience. H. R. 9366 by increasing coverage will reduce somewhat the number of persons who upon reaching 65 are not eligible to benefits.

In previous years when Congress considered expansion of OASI it was made abundantly clear by testimony of public welfare administrators that we feel that the way to reduce the cost of the programs which we administer is to maintain the income of the aged through a wage-related, contributory social-insurance system.

We in State government are confronted with the painful fact that large numbers of our citizenry reach old age without savings, without income, and in need of financial assistance. Aged citizens have become restless with the slow growth of OASI and a relatively low standard of relief through old-age assistance. The result has been many movements and pressure organizations which have attempted to increase expenditures for old-age assistance as a substitute for the lagging OASI insurance program during the first 15 years of its operation. H. R. 9366 is a step toward remedying this situation.

Social insurance and public assistance together will continue to be the major source of income for the majority of the aged, since the average citizen who reaches old age does not have any substantial savings. In California, for example, the average recipient of old-age assistance has personal property with a value of less than $200. Thirty percent have no personal property whatsoever other than clothing and personal effects. Only 15 percent have personal property of over $600. Since the average age of the 272,000 recipients is 75.4 years, opportunities for earning are relatively small.

Old-age assistance throughout the United States and in California has grown steadily since 1936, except during the past 2 to 4 years. During the past few years the program has stabilized and much of this stabilization must be attributed to OASI, particularly the amendments of the OASI program in 1950 and 1952. However, the stabilization or decline has been due to a considerable extent to a decline in the proportion of men who are in receipt of assistance. In 1940, approximately half of the recipients in California were men and half were women. Today about only one-third of the recipients are men and two-thirds are women. To state the shift between men and women in another way, since 1940 the proportion of men 65 and over who are in receipt of old-age assistance has declined from 26 percent to 20 percent, whereas the percentage of women has increased from 24 to 31. This would tend to indicate that the survivor aspects of the insurance program require further exploration. It also demonstrates why we still have a substantial number of needy persons who are not covered by OASI and suggests that we may except a relatively slow decline in our assistance rolls.

Last month, my department in California spent over $18,700,000 on old-age assistance. We are, therefore, vitally concerned with this problem and with the passage of this bill (H. R. 9366) because its long-range objectives will inevitally result in a reduction of our expenditures. In the meantime, we must be prepared to continue public

assistance for a substantial number of our aged citizens, many of whom will be beneficiaries under the OASI program also. Even with the improvements made by H. R. 9366, the average OASI beneficiary will not receive a sufficient allowance to take care of his minimum needs. Unless such OASI beneficiary has other means with which to supplement his benefit he must seek old-age assistance. This companion-assistance program is essential and is the most economical way of making certain that during the long term buildup of the social-insurance program all persons who are in need will be provided with minimum allowance for a respectable standard of living. The continuation of the present Federal-State partnership in the operation and financing of old-age assistance will enable OASI to be most effective in maintaining the income of aged persons.

The continuation of the present Federal-State partnership arrangement is provided for in H. R. 9366. As you are aware, the present Federal sharing ratio of the public-assistance grain-in-aid programs under the Social Security Act is continued by this bill until September 30, 1955.

From the standpoint of the States this termination date presents a number of serious problems. It comes in the middle of the fiscal year of both the Federal and most of the State governments. It does not give the States time to reorient their thinking and their entire financial and tax structure to absorb the impact of any substantial change that might take effect upon termination of this legislation. It is therefore respectfully suggested that the termination date be changed from September 30, 1955, to June 30, 1957. This would coincide with the fiscal year of the Federal Government and most of the States and would give the States and the Congress sufficient time in which to consider desirable changes, if any, in Federal-State financial relationships in the public-assistance field.

I should like to point out to you, however, that the increase in OASI in the past has resulted in savings both for the Federal and State Governments, and it is my belief that as OASI increases in coverage and benefits, the savings in public-assistance funds should be taken by both Federal and State Governments just as both levels of government now share in the costs. It will not be too long before the expanding OASI program will materially reduce our old-age assistance caseloads, a situation which will result in savings to both the Federal Government and the States. Today in California the Federal share of old-age assistance is less than it was in the 1936–37 fiscal year, the first full year of operation of the old-age assistance program under the Federal Social Security Act. In that year the Federal Government provided almost 50 percent of the total cost. For the 1952–53 fiscal year the Federal share amounted to 46.7 percent of the total cost.

The State government of California has no disagreement with the present formula which in general is more beneficial to the low-income States but at the same time does not penalize States like California. We believe that the formula should be continued until such time as OASI makes a more significant impact on our old-age assistance expenditures.

In conclusion, the overwhelming majority of welfare directors and the State administration of California favor H. R. 9366 and urge its immediate passage. We believe that the American people feel like-

wise and will recognize, with the Congress, that this is another forward step in bringing security to our aged citizens.

Senator CARLSON. Mr. Schottland, we appreciate very much your statement before the committee this morning. It has been very helpful in determining what action the committee will take.

Are there any questions?

Senator GEORGE. Mr. Schottland, I would like to ask you about the wage base. Is it the general view that $4,200 is a proper base?

Mr. SCHOTTLAND. I can only give you my personal opinion, Senator. I do not know what the general view on that particular point is.

My personal opinion is that the wage base should be increased to higher than $4,200. At the time the Social Security Act went into operation in the middle of the 1930's a very small percentage of wage earners were making in excess of $3,600.

Senator GEORGE. It was $3,000.

Mr. SCHOTTLAND. Yes. I think it was only 6 percent. I do not have the figures before me. Today well over 40 percent, if I recall the figures, are making above $4,200. I think, therefore, that in order to have a distribution more in keeping with what it was at the start of the Social Security Act that there is every justification for increasing the wage base above the $4,200.

Senator GEORGE. Thank you very much.

Senator BYRD. You want to go above the bill? The bill provides the $4,200, does it not?

Mr. SCHOTTLAND. I am in favor of the bill as it is, but in answer to the Senator's question my personal view is that it could go higher.

Senator BYRD. Thank you very much.

Senator CARLSON. If there are no further questions, we thank you.

That concludes the list of witnesses on the calendar for today, and it concludes the hearings on H. R. 9366. If there are those who wish to submit statements for the record, the clerk will receive them for at least 1 more day.

The hearings are concluded.

(By direction of the chairman, the following are made a part of the record:)

LOS ANGELES 46, CALIF., *June 14, 1954.*

Chairman MILLIKIN,
Committee on Finance,
United States Senate, Washington, D. C.:

Calling the committee's attention again to my proposed clarifying amendment to an unjust and unfair provision of section 211 of Public Law 734, which I bumped into when I applied for retirement benefits within the last 2 years, which has resulted in my application being rejected.

The accompanying proposed amendment which I have prepared is self-explanatory and, if adopted, would, in substance at least, remove this unjust provision in the present law and be a blessing to thousands, especially in the retirement-age bracket, who find themselves in my position.

I think both Senators Knowland and Kuchel, from my State of California, both of whom have copies of the amendment, will find themselves in accord with this request.

Thanks.

E. E. LITTLEFIELD, *Electrical Research.*

PROPOSED CLARIFYING AMENDMENT

SELF-EMPLOYMENT

(Proposed new language in italics)

SEC. 211 * * *

(a) * * *

(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer; *However, nothing in this paragraph shall be construed as excluding from the category of the self-employed, and the Self-Employment Contributions Act, an individual who exercises substantial control over said real estate, as the owner thereof or otherwise, provided such individual performs services of a substantial or continuing character, of a value in excess of $400 during his taxable year, involving the management, operation, upkeep, or maintenance of such real estate. Unless otherwise determinable for taxable purposes, under the Self-Employment Contributions Act, such individual shall, along with his Federal income-tax return, for any required given period, state what he considers the fair value of his said services for such period, which statement shall, subject to review and/or correction by the proper authority, constitute self-employment income for social-security purposes, for such period, and be taxed accordingly.*

As used in the above paragraph, the term "real-estate dealer" is held to include a real-estate broker who derives income in the form of rentals of more than $400 during his taxable year, from rental real estate owned by him, or under his substantial control.

This amendment shall be effective as of the effective date of Public Law 734, as amended: Provided, however, That contributions under the Self-Employment Contributions Act, referred to herein, shall not be required prior to enactment of this amendment.

LOS ANGELES, CALIF., *June 16, 1954*.

CHAIRMAN, COMMITTEE ON LABOR AND PUBLIC WELFARE,
United States Senate, Washington, D. C.:

Calling the committee's attention to the accompanying proposed clarifying amendment to an unjust and unfair provision of present law 734, section 211, which I bumped into when I applied for retirement benefits, during the last 2 years, which resulted in my application being rejected.

The accompanying proposed clarifying amendment is self-explanatory, and, if adopted, would, in substance at least, remove this unjust provision in the present law and be a great help to thousands who find themselves in my position.

I think both Senators Knowland and Kuchel, from my State of California, both of whom have copies of this proposed amendment, will find themselves in accord with this request.

Thanks.

E. E. LITTLEFIELD,
Electrical Research.

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As used in the above paragraph, the term "real-estate dealer" is held to include a real-estate broker who derives income in the form of rentals of more than $400 during his taxable year, from rental real estate owned by him, or under his substantial control.

This amendment shall be effective as of the effective date of Public Law 734, as amended: Provided, however, That contributions under the Self-Employment Contributions Act, referred to herein, shall not be required prior to enactment of this amendment.

GLENDALE CITY EMPLOYEES' ASSOCIATION,
Glendale 6, Calif., June 25, 1954.

Re H. R. 9366—Proposed amendment to Social Security Act.

ELIZABETH B. SPRINGER,
Care of Senate Finance Committee,
Washington, D. C.

DEAR MADAM: The Glendale City Employees' Association is joining the member groups of the National Conference of Public Employee Retirement Systems in urging that everything possible is done to protect the rights of all public employees now under pension plans.

We do not feel that the proposed amendment, as it now stands, is clear, complete, or in the best interests of public employees (and hence, indirectly detrimental to all the people of the Nation which we serve). You are therefore respectfully requested to do all in your power to have the bill returned to committee for further study and improvement as regards to the seven points in the resolution of the national conference which is attached.

Very truly yours,

RONALD C. BIERMA,
Chairman, Retirement Committee.

NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Whereas the extension of social security to public employees under existing retirement systems has been a matter of intense interest and a subject of a number of conferences and meetings pertaining to possible means of amending section 218 (d) of the Social Security Act in such manner as will protect the rights and equities of public employees under such retirement systems; and

Whereas the said subject is now being considered by the House Ways and Means Committee of the 84th Congress; and

Whereas the national conference continues to be concerned with the preservation and promotion of sound existing public employee pension and annuity systems; and

Whereas the members of the national conference are confident that public employee retirement systems will continue to exist as an integral part of an enlightened personnel policy, to attract and retain competent personnel public service, to induce long career service, and to provide a systematic plan for the retirement of aged and incapacitated workers, which advantages to the employer and to the employee cannot be achieved under the Social Security Act; and

Whereas over the years members of contributory retirement systems have acquired valuable vested rights, equities, and expectancies, which would be jeopardized, impaired, or diminished if not properly safeguarded: Now, therefore, be it

Resolved, That the National Conference on Public Employee Retirement Systems in annual session at Los Angeles, Calif., this 20th day of May 1954, hereby reiterates its declaration that any change in the Social Security Act contain strong and proper safeguards to insure the continuance of adequate retirement plans at State and local levels, with exemption of covered groups not predominantly desiring social-security coverage; and further that existing rights

and benefits under State and local plans shall not be in any manner diminished or impaired; and be it further

Resolved, That the national conference maintain its position for total exclusion from social security of firemen and policemen who now have an established retirement or pension system; and be it further

Resolved, That the National Conference on Public Employee Retirement Systems hereby reaffirms and ratifies the position of the joint committee of public employee organizations: that any Federal legislation extending social security to public employees under existing retirement systems shall contain the following safeguards and limitations:

1. Assurance that the members of State and local retirement systems shall know what they are voting on in the referendum;
2. Total vote of two-thirds of the eligible members instead of two-thirds of those voting;
3. Addition of a date to make the exclusion provisions more effective;
4. The continuance of total exclusion of firemen and policemen;
5. Determination of definition of coverage group by State legislatures;
6. Inclusion of a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced.
7. Inclusion of a provision that for any coverage group of public employees who are brought under social-security coverage subsequent to effective date of said bill, the starting date for such coverage group for the computation of, and qualification for, benefits, shall be a date not earlier than the first day of the calendar year in which they are brought under social-security coverage;
8. Unless H. R. 7199 is amended to contain all of the safeguards set forth for the above, the executive legislative committees of the national conference are instructed to seek amendments to said bill for the purpose of deferring until a subsequent session of Congress, the proposed removal of the present exclusion provisions set forth in 218 (d) of the Social Security Act.

Whereas the National Conference on Public Employee Retirement Systems has consistently worked for the passage of legislation which would equalize Federal tax procedure on retirement income; and

Whereas beneficiaries under the Railroad Retirement Act have their total retirement income entirely free from Federal taxes; and

Whereas recipients of veterans benefits for active service pay no Federal tax on their retirement income; and

Whereas there are millions of retired persons who receive no special tax exemptions and whose retirement incomes are as modest as those in special groups who are exempt from Federal taxation: Therefore be it

Resolved, That the National Conference on Public Employee Retirement Systems in annual session at Los Angeles, Calif., on May 21, 1954, hereby endorse the principles of equal tax treatment for all retired persons; and be it further

Resolved, That the National conference advocate amendment of the Federal tax laws so as to permit up to a total of $1,500 of the retirement income of all retired persons to be exempt from the Federal income tax in addition to individual exemptions.

Resolved, That this conference express its sincere appreciation to the local committee on arrangements for the gracious hospitality which has been extended to the delegates and guests of this conference. The comforts, conveniences and well-planned entertainment made this California conference one which will be long-remembered and also gives evidence of the effective and efficient work of the many persons who served.

Resolved, That the national conference express its appreciation to the State and local public authorities for granting the conference the free use of the time and services of so many capable public employees and of the wholehearted cooperation and assistance rendered by these persons. Without them the conference activities would have been seriously impaired; and be it further

Resolved, That the secretary be directed to send copies of this resolution to the appropriate public authorities.

Resolved, That the National Conference on Public Employee Retirement Systems express its sincere thanks and appreciation to the officers of the conference for their constant and loyal support of the purposes of the conference and their accomplishments during the past year in carrying out their respective duties.

Adopted May 21, 1954, at Los Angeles, Calif.

ALL CITY EMPLOYEES ASSOCIATION,
Los Angeles 12, Calif., June 25, 1954.

SENATE FINANCE COMMITTEE,
Care of Mrs. Elizabeth B. Springer,
Secretary of the Committee, Washington, D. C.

GENTLEMEN: The provisions of H. R. 9366 have been given carefuly study by our association and we do not believe that said provisions will accomplish the objectives for which the bill was written. It is our considered opinion that the study and research program in this field of correlation of the Federal program with retirement programs of State and local governments should be continued and that consideration of this bill should be deferred until the next session of Congress.

There is no doubt a desire on the part of members of your committee to formulate a broad objective rule under which the Federal social-security program may be equitably extended to all people in the Nation. Unfortunately the laws of each State are different and the provisions and benefit schedules of State and local public employee retirement systems are different. These differences are such that the adoption of H. R. 9366 into law would have the effect of forcing many State retirement systems into social security and in other cases preventing the members of State retirement systems from gaining the advantages of the social-security program. It is our belief that definite progress has been made as a result of the research programs carried on in this field in the last year. We know that the bill in its present form will create inequities and uncertainty in the minds of the majority of State and local government employees. We believe that the study programs started by two independent groups on the Federal level approximately a year ago should be greatly intensified and extended into the field of considering the effect upon the benefits accruing to and the morale of public employees in the various States.

It is our belief that a more substantial and more satisfactory program will be evolved by working out the details prior to amending the existing law than would be the case of making H. R. 9366 into law with the thought of readjusting it to conform to variations that are observed. It is for this reason that we submit our request that H. R. 9366 be held over in the next session of the Congress and that adequate study programs be authorized so that a definite conclusion on this subject can be drawn by the next Congress that takes into consideration all factors and that will be without prejudice to the institutions already built in the various States.

Very truly yours,

ROBERT W. BAKER,
President and Chairman, Board of Directors.

THE MINNESOTA MUTUAL LIFE INSURANCE CO.,
Minneapolis 3, Minn., May 18, 1954.

Hon. EDWARD THYE,
United States Senator from Minneapolis,
Washington, D. C.

MY DEAR SENATOR: Answering your letter of April 14 I am enclosing a brief for the record as per your request when the social-security bill comes up for hearing before the Senate committee.

Please make it clear that the brief is not a one-man idea of the things that are bothering. It is boiled down from a multitude of interviews I have had with people in many walks of life, kinds of employment, and ages over and under 65.

These are facts which I have gathered as an insurance salesman since January 1, 1951, when the last change was made in the act.

There are many other small "growls" but these are the main ones.

It seems that Congress is pretty slow about getting to the social-security bill. It was supposed to have come up in March.

Perhaps there is too much McCarthy in the way. If he is not shut up and off pretty soon you might as well give the party to the wolves. I have yet to find a person, except another Irishman, who has a good word to say for the farce now going on. Better get rid of it and start on some worthwhile legislation.

Yours very truly,

GEORGE L. BUSH,
Minneapolis, Minn.

IN RE SOCIAL-SECURITY CHANGES

A vast majority of social security insured workers are definitely opposed to the $75 earned income limit and the 75 age limit. Both should be removed entirely and immediately. Unearned income should be given the same treatment as earned income. The present law is very discriminatory and favors the well-to-do. A person can have unlimited unearned income and also collect social-security benefits.

The 6 calendar quarter qualification period should be repealed and set back to the original 40-quarter basis to avoid chiseling. Here is a case of a Minneapolis city employee who retired on his city tax-paid pension and then got a job under covered employment at $300 a month. He worked six quarters and then quit. He contributed $81 and picked up $127.50 a month social security benefit for he and his wife and collects both. This is very unfair especially to workers who have been under social security since 1937 and cannot collect a thin dime.

There are millions of workers who have been paying into social security since 1937 but can't collect a dime because of the unfair "75–75" limits. Far better for them to remove the limits than to increase the benefits.

Benefits to widows with dependents is unfair inasmuch as the deceased worker paid nothing extra for these benefits. It is not fair to pass his responsibility on to workers without dependents. It is all right to pay pensions to widows but it should be an overall Government responsibility and not a social-security responsibility. There are millions who contribute nothing to social security and thereby escape their share of the burden.

If the earned income limit is not entirely removed then it should be left on a monthly basis as now and not on a lump-sum basis. If age limits are not removed entirely then they should be reduced to age 70 for males and 60 for females. The average man is 5 years olders than the spouse.

Insured workers do not object to the increase tax of one-half of 1 percent if they could get something for it. As of now they see little chance of recovering anything because of the present "75–75" limits. To them the tax is a penalty.

The cost of checking retired workers income is far greater expense than the extra benefits would be if the limits were removed. Far better to give the money to old people than to the thousands of employees who do nothing but check. They are often referred to as the social-security gestapo.

By removing the limits many workers would retire in part at least and many would retire entirely. This would help relieve unemployment. These men cannot quit. The removal of limit if nothing else is done to improve, would satisfy workers both under and over 65.

CITY OF LOUISVILLE,
MUNICIPAL HOUSING COMMISSION,
February 5, 1954.

Senator JOHN SHERMAN COOPER,
Senate Office Building, Washington, D. C.

DEAR SENATOR COOPER: As you know, the State of Kentucky and the City of Louisville Municipal Housing Commission, on behalf of themselves and approximately 80 housing authorities in approximately 23 States, filed a suit in the Federal courts to get a judicial interpretation of an administrative ruling which denied social security benefits to local housing employees under existing privately insured retirement plans. The Federal District Court at Washington decided that section 218 (b) (4) and section 218 (d) were so ambiguous that the court might decide either way. This decision was appealed to the United States Circuit Court of Appeals, which affirmed the decision of the lower court.

Therefore, we have no other recourse than to request Congress to remedy this discriminatory and inequitable situation by amendment.

The City of Louisville Municipal Housing Commission and 80 other local authorities in 23 different States are in the following position:

1. Having a privately insured retirement plan on the date of said compact they are ineligible for social security benefits.

2. They may become eligible for social-security benefits by liquidating their present plan, at a great loss of vested rights, and then applying for social security.

3. After having liquidated their present plan, at a loss, they are permitted to apply for social security and after they have obtained social security they may reinstate a private plan on top of it.

4. Although those having a privately insured retirement plan must liquidate before they can obtain social security, those local authorities in Kentucky which did not have a privately insured plan in effect on the date of the compact of the State with the Federal Government are eligible and may, immediately after it is obtained, superimpose a private plan on top of it.

5. This we consider to be a rank discrimination never intended by the Congress of the United States when it enacted section 218 of the 1950 amendments.

Will you kindly contact Chairman Daniel A. Reed of the House Ways and Means Committee and Hon. Carl T. Curtis and the seven members of his subcommittee and request them to give serious consideration to amendments to the Social Security Act—

1. So that local housing authorities with privately insured plans may be eligible for social security without liquidating their present plans.

2. So that the amount of benefits will be retroactive to January 1, 1951, just as though these authorities had been able to obtain social security immediately after the provisions of the 1950 act became applicable to them.

Thanking you in advance for assisting the employees of local public housing authorities to obtain the relief that they are entitled to, I remain

Sincerely yours,

N. H. DOSKER,
Chairman and General Counsel, Retirement Plans Committee of the National Association of Housing and Redevelopment Officials.

AMERICAN INSTITUTE OF ACCOUNTANTS,
New York, N. Y., June 9, 1954.

Hon. EUGENE D. MILLIKIN,
Committee on Finance,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR MILLIKIN: The American Institute of Accountants requests that this letter be made a part of the record of hearings before your committee on the social security bill.

At a regular meeting just over a year ago, the council of the American Institute approved the following recommendation of the executive committee:

"That if the Federal administration recommended extension of social security coverage to many groups not now covered, including self-employed professional practitioners, the institute should support extension of social security coverage to all self-employed practitioners."

In accordance with this resolution, we urge your committee to retain the provisions of the House bill which would extend coverage to certified public accountants and most other professional groups.

I should like to make it clear, however, that this action of the council was taken on the assumption that if social security coverage is extended, all or most professions would be included. We hope that your committee will not act to extend coverage to a few professional groups while specifically excluding others, thus raising questions as to comparable status and encouraging dissension among professional organizations.

If this letter can be made a part of your committee's record we do not consider it necessary to request an opportunity to testify orally.

Yours sincerely,

ARTHUR B. FOYE, *President.*

CONFERENCE OF STATE SOCIAL SECURITY ADMINISTRATORS,
Richmond, Va., June 11, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: As president of the Conference of State Social Security Administrators, I desire to express the position of the conference on H. R. 9366 (Social Security Amendments of 1954) with respect to coverage of governmental employees under the provisions of OASI.

Appearing April 8, 1954, at the hearings before the Committee of House Ways and Means on H. R. 7199, as it was then designated, I stated that our conference believed OASI coverage should be extended to all local governmental employees, irrespective of position classification, and that State or local governing bodies should be free to determine, without Federal restrictions, whether or not coverage is desired for such employees. We did not feel that a favorable referendum of members of a retirement system should be a requirement before a governing body could take action to provide OASI coverage. It was our belief that no restrictions should be placed upon the authority of the local governing bodies and we continue of the same opinion, even though H. R. 9366, as passed by the House of Representatives, requires a referendum.

H. R. 9366, even though requiring a referendum, does not give firemen and local law-enforcement officers, in positions covered by a retirement system, an opportunity to express themselves through the use of a ballot. Certainly, if the referendum provision remains in the bill, firemen and local law-enforcement officers should have the right to express themselves.

Should we be unsuccessful in our efforts to eliminate the referendum provision, we urge that on page 15, lines 8, 9, 10, and 11 be deleted so that firemen and law-enforcement officers could be included under the coverage, if they so elect, in the same manner as other governmental employees.

Having stated the position of our national conference, I desire to bring to your attention the action of the 1954 session of the General Assembly of Virginia which amended the State police officers retirement system so that if and when the Federal act permits, members of the retirement system could be covered under the provisions of OASI in the same manner as other governmental employees in Virginia. Provision was not made for repeal, since it was anticipated that if the Social Security Act was amended, this would not be necessary. It was not possible to include the Virginia State police officers under the Federal-State agreement when it was originally executed by Virginia since the State police officers were, at that time, in positions covered by a retirement system. The action of the general assembly of 1954 was favorably accepted by the State police officers in Virginia.

Since the legislature in Virginia has taken such action prior to the effective date of any amendments to the Social Security Act, we believe that some relief should be provided for Virginia in the event it is not possible to amend H. R. 9366 so that any fireman and law-enforcement officer, so electing, could be covered under OASI after appropriate action by the local governing body. We trust, however, that the stated position of our conference will prevail.

Your consideration of the views herein expressed in formulating social-security legislation in this area is respectfully requested.

Respectfully submitted.

CHARLES H. SMITH, *President.*

JEWEL TEA CO., INC.,
Chicago, June 11, 1954.

Hon. EUGENE D. MILLIKIN,
Senator, State of Colorado, Senate Office Building,
Washington, D. C.

DEAR SENATOR MILLIKIN: As I understand it, the Senate will soon be acting upon changes in the social-security law.

I should like to respectfully express to you my approval of the stand taken by the Illinois State Chamber of Commerce regarding this legislation, and specifically their plea that the following provisions in H. R. 9366 be deleted.

Accordingly, I hope you will find it possible to urge the elimination of—

(1) The increase in the tax base from $3,600 to $4,200—particularly in view of the recent increase in the tax rates.

(2) Across-the-board increases. Surely our social-security system, if it is to be kept sound and not jeopardize our whole economy, should be based on minimum benefits at the subsistence level.

(3) Freezing disabled workers' benefits. The danger here of creating a governmental bureaucracy is startling.

The question of whether a Federal system of social security should be undertaken at all has long since been answered, but it will, indeed, be regrettable if the program becomes a political football and is thus permitted to get out of hand and on an unsound basis. Many people think that this bridge, too, has been crossed, but I am hopeful the Congress, through its constructive action, will prove them wrong.

I would hope that the above three changes can be eliminated and trust that you will use your good efforts in that direction.

Very truly yours,

JOE M. FRIEDLANDER.

STATE OF CALIFORNIA,
DEPARTMENT OF FINANCE,
Sacramento, June 15, 1954.

Subject: H. R. 9366.

Hon. THOMAS H. KUCHEL,
Member of the Senate, Congress of the United States,
Senate Office Building, Washington, D. C.

DEAR SENATOR KUCHEL: The State of California is very much concerned with the proposed provision in H. R. 9366 which already has passed the House. This bill would require the Governor personally to certify to certain procedures in the conduct of elections in local political subdivisions and municipalities in the State under the OASI law.

The Governor of a State should not be burdened with this type of administrative work and there appears to be no reason why logically and legally the certifications should not be made by an officer of the State designated by the Governor. In the case of California, this would be the director of finance.

We shall appreciate it if you would discuss the matter with the author and suggest to him that H. R. 9366 be amended to permit the Governor or his designated representative to make any such certifications under the OASI law.

Yours very truly,

FRED W. LINKS, *Assistant Director.*

SHAFT, BENSON & SHAFT,
Grand Forks, N. Dak., June 14, 1954.

Re social-security revision bill H. R. 9366

Senator EUGENE MILLIKIN,
Chairman, Finance Committee, United States Senate,
Washington, D. C.

DEAR SENATOR MILLIKIN: It is our understanding that this bill, as passed by the House, provides for coverage of State and municipal employees who are now covered by State and local retirement systems, on a voluntary basis, but that policemen and firemen are specifically excluded from this coverage.

We feel that the exclusion of policemen and firemen is a serious mistake, and that since the bill would require a referendum and a two-thirds vote of the members of the local retirement system, there can be no sound reason why policemen and firemen should be excluded.

We grant that there are many police and firemen's retirement systems in the country which are strong and of long standing, which the members would be very reluctant to abandon, but presumably in such cases it could be assumed that the members would vote against coming under social security.

In North Dakota, and we presume elsewhere, the exclusion of policemen and firemen would produce a very difficult situation. Our statute (ch. 40-45, Revised Code of 1943) provides for local establishment of police pensions, and a later statute, chapter 40-46, Revised Code of 1943, provides for the local adoption of employees' pensions covering all employees other than policemen, which, of course, includes firemen.

Most of the larger cities of the State, including Grand Forks, have an employees' pension system, including firemen, and a separate police pension system. If our

police officers desired to abandon their local system and come under social security, there would be no problem, but if our employees, other than policemen, desired to do so, a most serious problem would arise under House bill 9366, as passed by the House, for the firemen could not get in under social security and yet a local pension fund for firemen alone is not authorized.

We also feel that in excluding police and firemen not enough attention has been given to the situation in the small cities. In Grand Forks, for instance, we have 27 members of our police fund and 127 in our city employees' fund. It requires no argument to demonstrate that actuarial principles and theories cannot be applied to groups as small as these, for the reason that any minor catastrophe or variance involving a few employees is sufficient to destroy the validity of theoretical calculations as to solvency.

In Grand Forks the employees contribute 3 percent of their salary, and the city contributes the amount raised by the 1½-mill levy for the employees' fund, and a ½-mill levy for the police fund, which in dollars works out to a contribution by the city in each case of nearly 6 percent of payroll.

We have recently employed professional actuaries to make a complete study of our funds and, in spite of a present existing reserve of more than $70,000 in our employees' fund, and more than $34,000 in our police fund, both programs have entirely inadequate reserves to meet future demands on the funds.

In the light of the above, we respectfully urge that the Senate seriously consider amending the House bill by eliminating the exclusion of police and firemen and permitting them, on the same voluntary basis as other employees, to come in under social security.

Respectfully yours,

HAROLD SHAFT, *City Attorney.*

RESOLUTION

Whereas all bar associations should be interested in and should encourage legislation providing for fair and just economic and social benefits to the American people under old-age and survivors insurance programs; and

Whereas authoritative studies by the Congress of the United States, the United States Department of Health, Education, and Welfare, the United States Department of Commerce, and other public and private agencies have illustrated an existing need for extended coverage of the Federal Social Security Act of 1935, as amended, to certain presently excluded groups of self-employed persons, including approximately 120,000 self-employed lawyers in this Nation; and

Whereas there exists, in the light of recent opinion polls and resolutions adopted by various organizations, an apparent desire for coverage under the Federal Social Security Act of certain heretofore excluded self-employed professional groups, including self-employed lawyers; and

Whereas the retirement, survivorship, and life-insurance benefits under said Federal Social Security Act are presently available to more than 48 million Americans and are available at costs less than private annuity and insurance rates for comparable retirement, survivorship, and life-insurance protection; Now therefore, be it

Resolved, That the Utah State Bar, in annual meeting assembled, support the etxension of the said Federal Social Security Act of 1935, as amended, to apply to and to cover these presently excluded self-employed professional groups including the self-employed lawyers of this Nation.

AMERICAN VETERINARY MEDICAL ASSOCIATION,
Washington 5, D. C., June 17, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SIR: I would like to take this opportunity on behalf of the American Veterinary Medical Association to submit for your consideration our views concerning H. R. 9366, 83d Congress, which is currently before your committee.

H. R. 9366, the social security amendments of 1954, contains certain provisions which have been interpreted by members of our association to be detrimental to the best interest of those engaged in the practice of veterinary medicine.

In a statement filed with the Committee on Ways and Means, House of Representatives, with respect to this legislation, it was pointed out that our members

had registered objection to being "blanketed under" social security on a compulsory basis.

At that time it was proposed that veterinarians be permitted to participate in social security on a voluntary basis should an individual so desire.

This alternative was suggested to provide an opportunity for social security participation by those in our profession who deviate from the existing and anticipated pattern of continued professional activity beyond expected retirement age.

It should be emphasized that the present numbers of veterinarians are insufficient to meet the demands for veterinary service. For the most part, veterinarians recognizing their obligation to serve agriculture through protecting livestock against animal diseases are reluctant or even find it impossible to refuse to render valuable service to those with whom they have been associated during the earlier years of their professional careers. The majority of veterinarians are located in rural areas where there is not the urge to relocate for retirement as exists in large metropolitan areas.

In view of the existing retirement habits of self-employed veterinarians we feel that an injustice to the members of the veterinary profession will result if they are required to assume the obligation of social security contributions with little likelihood of desiring or requiring the benefits for which they would be required to pay.

The present veterinary population of the United States is approximately 16,500 in number. Although the profession is growing, the increasing demands of agriculture, public health, civil defense and continuing military obligations would indicate that we will experience little need for protection against dependency as a professional group in the foreseeable future.

As an association representing the majority of the veterinary profession in the United States, we urge the committee to exclude those who are self-employed in the practice of veterinary medicine from coverage under the provisions of the social security amendments of 1954.

It is requested this letter be made a part of the record of the hearings held by the Senate Finance Committee on H. R. 9366.

Sincerely yours,

J. A. McCallam, V. M. D.

American Veterinary Medical Association,
Washington 5, D. C., July 8, 1954.

Hon. Eugene D. Millikin,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

Dear Sir: Reference is made to my letter of June 17, 1954, to you as chairman of the Committee on Finance, United States Senate, stating the American Veterinary Medical Association was opposed to compulsory social-security coverage for self-employed veterinarians.

That letter was filed in lieu of personal appearance due to my absence from Washington on June 29, the day set for the AVMA to present testimony. Since then, we have learned an amendment to H. R. 9366 has or will be introduced by Senator George that will exclude dentists from compulsory coverage, as well as doctors of medicine, under the act cited as the social-security amendment of 1954. The subject amendment was, as you are aware, referred to the Committee on Finance.

The American Veterinary Medical Association requests and recommends that self-employed veterinarians engaged in the practice of veterinary medicine be included in the amendment to H. R. 9366 proposed by Senator George.

It is requested this letter also be made a part of the record of hearings held by the Senate Finance Committee on H. R. 9366.

Thank you and the members of the committee for consideration of our request and recommendation.

Sincerely,

J. A. McCallam, V. M. D.

THE AMERICAN COLLEGE OF ALLERGISTS,
June 16, 1954.

In re H. R. 9366, social security bill.
Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MILLIKIN: As a member of the board of directors of the Association of American Physicans and Surgeons, Inc., I wish to express my approval over the fact that physicians are being excluded from social security.

I beg you to seriously consider deleting the waiver-of-premium section (106) from H. R. 9366, because this would be just one more step toward socialized medicine.

It is the hope of the physicians of this country that the Senate Finance Committee will hold firm in support of the House version of H. R. 9366 (exclusion of doctors) and will recommend killing the waiver-of-premium section (106).

Very sincerely yours,

FRED W. WITTICH, M. D.

THE LUTHERAN CHURCH, MISSOURI SYNOD

DEPARTMENT OF PUBLIC RELATIONS

STATEMENT ON SOCIAL SECURITY

To the Members of the Senate Finance Committee:

The Lutheran Church, Missouri Synod, strongly supports the traditional American policy of separation of church and state. We regard separation of church and state as a worthy policy designated to protect the principle of freedom of religion under the Constitution of the United States.

Separation of church and State does not constitute, in our view, a divorce between the interests of the State and the interests of the church. We believe that the church has an interest in promoting good government, without at any time undertaking to dominate or to control the actions of Government. At the same time, we believe that government has an interest in promoting the welfare of the churches, without showing partiality either directly or indirectly to an individual church or an individual group of churches.

In conformity with its understanding of the policy of the separation of church and State, the Lutheran Church, Missouri Synod, decided at its 1953 national convention, held in Houston, Tex., that it was not in a position to demand that its ministers of religion be made eligible for coverage under the Old-Age and Survivors Insurance Act. On the other hand, the church assured its ministers that acceptance of such coverage individually and voluntarily by the ministers themselves would not be regarded by the church body as contravening its understanding of the policy of separation of church and State.

My purpose in addressing the Finance Committee of the United States Senate is to request that coverage of the clergy under the OASIA be placed on a truly voluntary basis. A pastor considering a call to a Lutheran congregation ought not to be put under the obligation of being forced to accept coverage under the Old-Age and Survivors Insurance Act simply because the previous pastor of that congregation had accepted such coverage, nor should he be presented with the necessity of declining such a call in order to avoid complications arising out of the fact that he may have rejected coverage at this previous congregations on the basis of conscientious scruples he may have.

If acceptance or declination of a call to a congregation should have to be made by a minister upon other than a religious basis, the possibility exists that the traditional American policy of separation of church and state will become somewhat distorted, and would henceforth fail to protect the freedom of religion which all of us cherish.

For that reason, in behalf of our church body, I should like to request the Finance Committee of the United States Senate to give special consideration to the position occupied by the ministers in the churches of our country when writing new legislation for old-age and survivors insurance. Such legislation should make it possible to enter the system on a purely voluntary basis, in order that pastors may accept calls to congregations other than those they now serve with complete freedom of decision based purely on religious considerations, without compulsory coverage under the OASIA as it is now being applied, quite

properly, to lay employees of churches and church agencies which have extended such coverage to their lay employees.

I make this plea in behalf of the 6,400 ministers of religion who have made the services available to the church body in answer to the regular religious call of duly constituted congregations and church agencies authorized to issue such a call.

Sincerely yours,

OSWALD C. J. HOFFMANN,
Director of Public Relations, The Lutheran Church, Missouri Synod.

POSITION OF THE LINCOLN, NEBR., CHAMBER OF COMMERCE ON SOCIAL SECURITY

On the basis of studies and recommendations made by its insurance and taxation committees, the Lincoln Chamber of Commerce board of directors stands for expansion of the social-security system under the plan proposed by the Chamber of Commerce of the United States.

This plan was approved by an overwhelming majority of United States chamber members all over the Nation in a referendum held early in 1953.

Unfortunately, the revisions of the social-security system approved by the House of Representatives and soon to be considered by the Senate bear little resemblance to the plan so generally approved by those who are so vitally interested in the system because they pay a good share of the bill and because they employ most of those who are covered by the plan.

Consequently the Lincoln Chamber of Commerce now restates its belief that the revisions of social security, when finally adopted, should take into account the following basic principles, if we are to have a defensible, nondiscriminatory social-security system:

1. Pay basic old-age and survivors insurance benefits to all of today's retired aged. This would end the discrimination against the almost 8 million persons over 65 who are at present left out of the system for no good reason.
2. Attain universal coverage by bringing in all gainfully employed.
3. Finance the benefits on a pay-as-you-go basis so that we can all see the true cost of social security in terms we can understand.
4. End Federal control of State relief programs for the aged by terminating the temporary Federal grants for old-age assistance.

Instead of following these sound lines, the proposals which go before the Senate have accentuated the discriminatory conditions now existing, rather than alleviating them. For instance, the plan to increase the benefits payable to those employees in the higher brackets simply gives a gain to those persons better able to plan for their own futures, without strengthening the real purpose of social security—which is to prevent destitution among those who have not been able to provide for their own declining years.

The first goal of revising the social-security system should be to provide the necessary minimum protection to everybody.

The second goal should be that of providing a sound plan of financing it. The insurance feature myth should be exploded officially, and the truth should be told about the complete inadequacy of the so-called trust fund. The only way to protect the entire system is to face it realistically and to put it on a basis of paying its way from year to year. Along with that, the existing trust fund should be preserved and, when possible, enhanced so that it could be drawn upon in some years when tax income might fall below the required needs.

Any action at this time which makes the attainment of these goals more difficult is not in the best interests of either the beneficiaries of the social-security system or of the Nation as a whole.

ARCHIE J. BALEY,
General Manager, Lincoln Chamber of Commerce.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., June 18, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: When the social-security bill was considered by the House Committee on Ways and Means, no provision was inserted to enable disabled persons covered under the Social Security Act to become eligible for benefits in the same manner as is accorded a disabled person under the Railroad Retirement Act. The result is that many persons who are disabled and covered by social security must wait until they reach the retirement age of 65 before drawing any benefits.

The House considered the social-security bill under a closed rule which prohibited any amendments. In view of the widespread interest in permitting disabled persons to draw benefits before they reach the age of 65 as is permissible under the Railroad Retirement Act, I shall appreciate your kindness in giving the subject consideration while the social-security bill is the subject of hearings by the Senate Finance Committee.

With best wishes, I am
Sincerely,

JAMES E. VAN ZANDT.

BEATTIE, HIBBARD & CALDWELL,
ATTORNEYS AT LAW,
Oregon City, Oreg., September 30, 1953.

Hon. WALTER NORBLAD,
United States Congressman for Oregon,
Washington, D. C.

DEAR MR. NORBLAD: I represent various employees and elected officials of Clackamas County, Oreg., who find themselves unable to participate in social-security benefits. Their dilemma stems from certain peculiarities of the old Oregon Public Employees Retirement Act as it relates to the social-security laws.

Prior to 1950 the State of Oregon by virtue of its Public Employees Retirement Act (ch. 401 Oregon Laws 1945, as amended) operated a system of retirement and benefits at retirement or death for certain officers and employees of the State and its political subdivisions, including the employees of Clackamas County, Oreg. On August 28, 1950, the United States Congress extended the benefits of its social-security program to services performed by individuals as employees of a State or any political subdivision thereof upon agreement with the State concerned. Subsection d, section 218, title 2 of the Social Security Act provides as follows (42 USCA 551):

"No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group."

Apparently the benefits of the Social Security Act were considered to be more liberal and at less cost for most employees of the State; but because of the above-quoted portion of the Social Security Act, before it was possible to come within social security, it was necessary to provide for a withdrawal from the State retirement system set up by the 1945 legislature. That process of withdrawal was provided for in chapter 322, Oregon Laws 1951. Thereafter, the Clackamas County Court undertook to and did by April 17, 1952, comply with the withdrawal provisions, one of the requirements being that at least 75 percent of the then current employees had to request that the employer be permitted to withdraw from the public employees retirement system. In that connection the attorney general of the State of Oregon made a ruling that any individual under the public employees retirement system of the State of Oregon who had attained his earliest retirement age could not sign such a petition for withdrawal. In most cases that affected people of the age of 60 years or over. The bulk of the people I represent fall in that category and some few remain in the old retirement system as a matter of original choice through having refrained from signing the petition, but who are beneath their earliest retirement age.

Thereafter the State or Oregon did enter into an agreement with the Social Security Administration and all employees of Clackamas County who participated in the withdrawal are now covered under the Federal setup.

The 1953 Oregon State Legislature, through its senate bill No. 396, provided for the State of Oergon's entry into the social security setup and repealed the original Oregon Public Employees Retirement System established by the 1945 legislature, supra, and all amendments thereto, but preserved its benefits insofar as those benefits affected individual employees that either through choice or having arrived at their earliest retirement age were still under the original system. In fact, in section 11 of senate bill No. 396, those individuals are actually frozen under the old act.

Apparently the benefits under social security supplemented by the Public Employees Retirement Act of 1953 are greater and at less cost to the individual employee than to remain under the old system and it is the desire of those frozen in the old system to participate in social security.

In at least one State circuit court opinion (Multnomah County, Oreg.) the ruling of the attorney general above referred to has been declared to have been an erroneous ruling. The matter, however, has never been taken to the Oregon Supreme Court.

The people I represent would have signed the petition to withdraw had they been permitted to do so and I believe the decision that they could not sign the petition was in all respects, erroneous. However that may be, the damage has now been done and it is not possible for them to participate in the social security setup in view of the above referred to subsection d of the social-security law. This I believe to be a wholly unjust result and certainly not one contemplated by Congress. Surely Congress must have contemplated an equal coverage for individuals whereas the exact opposite is resulting with respect to the employees in this county. It is my understanding that the same condition exists in other public bodies of the State of Oregon.

I am writing this letter to you with the above rather full explanation at your suggestion at our personal meeting in Oregon City, Oreg. on September 15, 1953. I hope you may be able to see the matter in the way I do and that it will be possible for Congress to rectify the unequal coverage that now obtains.

If there is any other or further information that I can secure for you, please do not hesitate to write for the same.

With kind regards, I remain,

Very truly yours,

GEORGE L. HIBBARD.

ARIZONA COTTON GROWERS ASSOCIATION,
Phoenix, Ariz., June 9, 1954.

Senator CARL HAYDEN,
United States Senate, Washington, D. C.

DEAR SENATOR HAYDEN: Our people are becoming very concerned over the proposed amendment to the social-security laws that would provide coverage for any farm worker earning as much as $200 per year from a single employer.

We hope you will oppose this particular item, at least.

Our reasons for making this request follow. You can see that the same problems will apply to any State or area employing transient or seasonal labor.

Under our type of farming a farmer employs, or there is employed on his ranch, many individuals in the course of a year. On many of our ranches the number exceeds a thousand individuals.

As we understand the Social Security Act, the farmer would have to set up individual accounts for each of those workers and make the necessary deductions from wages long before he knows whether or not the worker is actually going to earn as much as $200.

Under the now universal system of paying cottonpickers cash each time they weigh a sack of cotton the opportunities for error, misunderstanding, and abuse are endless.

We think the committee in preparing the bill and in making its recommendation did not give sufficient consideration to conditions as they exist in most of our Western States, and many other areas also.

To support that view we quote herewith from the report of the House Committee on Ways and Means (H. Rept. No. 1698) which accompanied H. R. 9366: On page 10 of that report the following language is used:

"The problem * * * was that of amending this * * * provision * * * so as to bring in more people * * * and yet to exclude incidental and temporary employees and avoid imposing an impossible burden on the farm operator at the peak harvest period. * * *"

In the second paragraph on page 10 the following language appears:

"This provision would bring into the program about 1.3 million workers (additional) * * * while continuing to exclude those farm employees * * * who do farmwork only in the peak harvest periods * * * so the farm operator would not, in the midst of his busiest season, have to make out social-security reports for his covered farmworkers."

We believe that the above language in the committee's report indicates that the amendments to the bill are not intended to include such labor as cotton-pickers. However, conditions in the Western States are such that many temporary, seasonal workers will earn $200 or more while employed by a single employer.

We do not have any affirmative suggestion to make as to how this section might be worded but we do know that should the bill as presently written become law thousands of farmers are going to be hit hard and an impossible situation created.

Yours very truly,

E. S. McSweeny,
Executive Secretary.

The Dental Society of the State of New York,
Syracuse, N. Y., June 15, 1954.

Hon. Irving Ives,
Senator from New York,
Washington, D. C.

Dear Sir: On May 25, 1954, the House Ways and Means Committee approved social-security amendments of 1954 (H. R. 9366), eliminating physicians, interns, firemen, and policemen from the group of persons to whom social-security coverage would be extended. A 15-to-10 vote eliminated an estimated 150,000 physicians and interns whose inclusion had been opposed by the American Medical Association. Dentists, along with others, were added to the professional group being covered. This bill, H. R. 9366, has been passed by the House and is now before the Senate.

The house of delegates of the American Dental Association, on September 30, 1953, in Cleveland, Ohio, voted for the third time since 1949, 312 to 64 against the inclusion of dentists in social security (OASI).

The New York State delegation voted 44 to 15 against the inclusion of dentists.

At the present time there are over 80,000 members of the American Dental Association, plus their families, etc.

Why exempt the medical group and not the dental group?

May I ask that you carefully consider your vote on extending social-security coverage to the dental profession, which is opposed by organized industry.

Your faithfully,

O. J. McCormack, D. D. S.

Lorain, Ohio, *June 18, 1954.*

Senator Millikin,
Senate Finance Committee,
Washington, D. C.

Honorable Sir: Regarding contemplated changes in the Social Security Act.

There undoubtedly are many professional men in our country who have passed their 65th birthday, and have already provided for their remaining years.

Not being of "the latter-day clan, spend it all, the devil with the future," these people by self-denial prepared for the future. Like an old fire horse they will probably keep their hand in their chosen profession till the "grim reaper" comes along. And in earning more than the minimum monthly allowance, chances of collecting any old-age pension are slim.

To be fair with these people and not change the rules in the middle of the game I believe a "grandfather" clause should be part of the amendments.

To this effect:

Any person considered not to be self-employed for the purposes of the Social Security Act under regulation 118, section 39.481-3 * * * and having passed his

65th birthday at the date these amendments are to take effect, shall have the option of being subject to its provisions.

I think this a reasonable request, and trust you will make it your duty to insure that something along these lines is included in the amended act.

Respectfully yours,

HENRY L. SCHWERING,
Certified Public Accountant.

THE VOGUE,
Kewanee, Ill., June 14, 1954.

Mr. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR MR. MILLIKIN: As you consider the House social-security bill, I hope you will give consideration to my objections to this new legislation. The increase in income base from $3,600 to $4,200 makes an arbitrary tax increase of $18 on each individual affected, with no increased benefits in proportion to this increased tax.

It seems to me that this is not only unfair, but is getting away from the original concept of providing a basic floor of protection, leaving individual incentive to provide additional retirement income.

I hope you will leave the earnings base at $3,600, and I feel that this tax incease—the second this year when you include the January 1 rate increase from 1½ to 2 percent—is decidedly arbitrary and unfair.

I want to commend the removal of doctors and professional men from arbitrary inclusion in the social-security system, and wish to ask whether you cannot eliminate self-employed persons from forced participation in the social-security program against their will. At least, can you not make participation voluntary so that those who do not wish to participate cannot be forced into the program. It seems to me absolutely wrong to force self-employed persons into the social-security system against their will, and at the same time it seems foolish and unwise to load further future obligations onto an already topheavy social-security system where the individuals themselves do not want it.

My wife and I, as self-employed persons, resent being forced into the Government-dole social-security system and urge you to make provisions so that we may provide for our own retirement and not be forced to look forward to drawing Government payments.

Please let me know whether there is any chance that the new social-security legislation will make it possible for self-employed persons like my wife and myself to withdraw from the social-security program and take our names off the list of those who look forward to Government dole at age 65.

Yours very sincerely,

G. W. MAXWELL.

CALIFORNIA TEACHERS ASSOCIATION,
San Francisco, June 21, 1954.

Re H. R. 9366.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR MILLIKIN: The California Teachers Association, representing as it does more than 72,000 members of the teaching profession who would be affected by its provisions, is deeply interested in H. R. 9366 now pending before the Senate Finance Committee.

We fully appreciate the urgent necessity of providing old-age security to all groups not adequately covered and are in complete sympathy with the objectives which H. R. 9366 seeks to achieve.

The teachers of California, however, are interested in seeing that any changes in the Federal social-security system shall not react to their detriment. Inasmuch as the provisions of the California State teachers retirement system are considerably more liberal than those of many other States, we naturally must insist that no steps be taken which would result in impaired retirement benefits to our members.

Specifically, the California Teachers Association favors the retention in the bill of the requirement that a secret written referendum be held among the members

of the retirement system prior to their inclusion in social security. To fail to include such a provision, we feel, would destroy one of the safeguards of our present protection.

Indeed, we feel strongly that the presently included provision for a referendum is not sufficiently strong. It calls for a majority of the eligible members to vote, but requires only two-thirds of those voting to cast their ballots in favor of inclusion to authorize the change. Actually this permits the decision to be made by a minority of the members whose financial interests are being decided. We would strongly recommend that the bill be amended to provide for a two-thirds favorable vote by all eligible members instead of a majority vote. The requirement that two-thirds vote of those voting be necessary to authorize the inclusion, we believe, should be retained in the bill.

I regret that it will not be possible to have a representative make a personal appearance before your committee when this matter is considered. I do believe, however, that the attitude of the members of what is perhaps the largest State teachers' retirement system in the country may be worthy of consideration in your deliberations.

Sincerely yours,

ARTHUR F. COREY,
State Executive Secretary.

UNITED STATES SENATE,
COMMITTEE ON RULES AND ADMINISTRATION,
June 21, 1954.

Hon. EUGENE D. MILLIKIN,
Room 315, Senate Office Building,
Washington, D. C.

DEAR SENATOR: It is my understanding that the Senate Finance Committee is about to undertake consideration of H. R. 9366, amending the Social Security Act, and in this connection, I would like to make the following observations regarding two provisions within that bill:

The first concerns title III—provisions relating to public assistance and the 1-year extension as approved by the House, of the 1952 matching formula for Federal participation in assistance to aged and dependent children from September 1954 to September 1955. This single-year extension, if enacted, can only mean that the Congress will be required to introduce, consider in committee, debate on the floor and enact, parallel legislation the very next year. It does seem to me that a 1-year extension, entailing as it would unnecessary consideration and needless processing, would be a shortsighted move on our part, and I earnestly recommend that the matching formula be extended to September 1956—a period of 2 years—as envisioned in S. 3417, which I, together with 48 other Senators, have cosponsored.

Of considerable concern to me, too, is the failure of the House to eliminate entirely the termination date for the special provisions relating to State aid-to-the-blind programs and extending instead until June 30, 1957, the Federal participation provisions which have been in effect since 1950 and which have operated so efficiently and to the mutual advantage of the Federal Government and the States involved.

In this connection, you will note that under subsection (a) of section 344 of Public Law 734 (81st Cong., 2d sess.), amendments to the Social Security Act, any State which did not have an approved plan for aid to the blind (Missouri and Pennsylvania), could have its plan approved even though that plan did not meet the restrictive Federal requirements relating to the limiting of income in the determination of need; and, further, under subsection (a) Federal participation was limited to aiding those blind individuals whose income met a most stringent needs test. Thus, the 1950 amendments provided that if the Federal Social Security Administrator approved, for example, the Missouri plan as, in fact, he did after extensive negotiations, Federal participation would be assured in assistance payments to certain types of cases. As of February 1, 1954, approximately 3,000 out of 3,800 blind persons in Missouri were paid in part out of Federal funds and in part out of State funds, while the remaining 800 were paid entirely out of State funds.

My own State of Missouri has had a liberal and enlightened blind-pension law since 1921, under which blind pensioners receive a specific amount each month. Funds to finance the blind program are secured from a constitutional

general property levy of 3 cents on each $100 assessed valuation. While the yield from this tax is just about sufficient to maintain a program for taking care of the totally blind, without Federal aid, it is doubtful that a program could be financed that would grant benefits to persons under a more liberal interpretation of blindness.

It does seem to me that to continue, as has been proposed in H. R. 9366, a policy of postponing this termination date every 2 years by periodically amending subsection (b), section 344, Public Law 734, imposes a perpetual threat of withdrawal of Federal participation and suspends, in a manner of speaking, a menacing sword of Damocles over those very States (Pennsylvania and Missouri) who have maintained a more liberal aid-to-the-blind program than the rest of the States, and enforces an unreasonable penalty upon these States which their humanitarian and enlightened attitude in no way merits. I, therefore, urge that you and the members of your committee give serious consideration to the unfairness of the House-approved provision, and recommend instead the repeal of subsection (b), thus making the provision of subsection (a), section 344, Public Law 734, permanent.

I shall greatly appreciate your including this letter in the printed record of the hearings.

With every good wish, I am,

Sincerely yours,

THOMAS C. HENNINGS, Jr.,
United States Senate.

JUNE 7, 1954.

Senator ALTON A. LENNON,
Senate Office Building, Washington, D. C.

DEAR SENATOR: Mr. John M. Moose of 620 North Queen Street, Durham, N. C., has asked me to forward to you a request for an amendment to the social-security law which is now pending in Congress. Mr. Moose is 70 years old, unemployed, and formerly served as an instructor for some 30 years without teachers' retirement.

Mr. Moose states that he has three-quarters social-security coverage and would like to have the law amended to permit a person at age 70 with three-quarters coverage to receive social-security benefits. He is very anxious to have you present this amendment before the appropriate committee.

I am forwarding this request for your immediate consideration.

With kindest regards and best wishes, I am,

Sincerely yours,

WILLIAM B. UMSTEAD,
Governor of North Carolina.

BOISE, IDAHO, *June 5, 1954.*

Senator HENRY DWORSHAK,
United States Senate Office Building,
Washington, D. C.:

Idaho Medical Association would appreciate your efforts in opposing the waiver of premiums phase of social-security bill and your support for including the subject matter of the Jenkins-Keogh bills in the omnibus tax bill.

ROBERT S. MCKEAN, MD, *Secretary.*

BOISE, IDAHO, *June 5, 1954.*

Hon. HENRY DWORSHAK,
United States Senate, Washington, D. C.:

Idaho Society Professional Engineers, Southwest Chapter, protests mandatory coverage of self-employed engineers under social security. Their position is basically the same as that of medical profession. Recommend voluntary coverage for all self-employed professional groups. Above recommendation coincides with that of National Society Professional Engineers.

DEL ANDREWS.

EAST ST. LOUIS CHAMBER OF COMMERCE,
East St. Louis, Ill., June 18, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR: You will pardon our abruptness but it is the opinion of this chamber of commerce that the Senate should delete certain objectionable features in H. R. 7199. This is the administration-sponsored bill intended to amend the Social Security Act.

The primary objections to the sections indicated are based on the fact that they violate basic social-security principles, that they oppose good public policy, and that they ignore sound financing. This organization is committed to the general policy of pay-as-you-go and that there should not be the constant threat of increases in the tax rate upon the employee and employer. To saddle the workman and his employer each with an additional $12 per year for social security purposes just doesn't seem equitable.

This increase, of course, is brought about by increased rates on annual wages. We do not believe it is consistent that the individual earning $4,200 or more should not receive increased benefits in proportion to his increased taxes.

In the second place, the benefit increases are inconsistent. To increase the minimum monthly individual benefit from $25 to $30 does not coincide with the increase in the maximum family benefit proposed. The increases would undoubtedly lead to unsupportable high benefits and would play havoc with private pension plans and private insurance with eventual establishment of a complete governmental retirement program for everyone.

H. R. 9366 also provides for freezing of disabled workers' benefits. Under this provision, a disabled individual could pay no further taxes and would receive his full benefits at the age 65. Surely, we do not correctly interpret the provisions of this bill, but as we read it, it necessitates a bureaucracy of Government doctors to determine disability. Only consternation could result if any and all of the 65 to 75 million people under social security should require a free medical examination.

We trust your committee will give serious consideration to the points we have raised and act in accordance with our suggestions.

Very truly yours,

CHARLES F. SPILKER, *Manager.*

SOUTH DAKOTA STATE NURSES ASSOCIATION, INC.,
Sioux Falls, S. Dak., June 21, 1954.

EUGENE D. MILLIKIN,
Congress of the United States, Senate,
Washington, D. C.

MY DEAR MR. MILLIKIN: The nurses of South Dakota wish to have you consider favorably the proposed amendment to the Social Security Act, H. R. 9366, which has been endorsed by the American Nurses Association, an organization of 173,000 members.

The organization of the ANA has as its main objectives the improvements of nursing care of the patient and the promotion of economic welfare of its members. They consider Federal social security important to their economic welfare.

The nurses of South Dakota would like to have you considder favorably the following proposals and give them your support:

1. Extension of coverage to employees of State and local governments and agencies under State and local retirement systems.
2. Provision for more adequate benefits.
3. Increase in the amount of earnings permitted beneficiaries.
4. Provision for acceptance of coverage at any time by employees of nonprofit organizations to permit employees who did not choose coverage at the time the organization elected coverage.
5. Reduction of the qualifying age to 60 for women.
6. Provision for payment of benefits and waiver of premiums for persons under 65 who are permanently and totally disabled.

As members of the American Nurses Association we support these improvements in the contributory social insurance in the belief that such changes will

provide more equitable coverage and benefits for professional nurses and other employed persons.

Very sincerely yours,

AGNES B. THOMPSON, R. N.,
Executive Secretary, SDSNA.

CHICAGO, ILL., *June 21, 1954.*

Re legislation, H. R. 9366.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: In connection with the subject bill which was recently approved by the House, we are definitely not in accord with all of the principles outlined, and urge in your considerations that you take into account the following:

Establishment of a basic minimum floor of protection should be a part of our social-security program.

A definite incentive plan should be developed for the individual to provide additional protection that should be maintained and fortified at intervals.

Provision for a close and clear relationship between benefit levels and tax rates should be on a pay-as-you-go basis.

Our Federal Government should fulfill its obligation to the aged by means of a single federally administered program, simplicity being the aim.

Social security should not be construed as a form of Government insurance. The continual increase in premiums, which is actually a form of taxes, is becoming very burdensome, not only to the participant, but corporations as well.

It is important that such portions of H. R. 9366 which do not conform with the foregoing be deleted, and your cooperation to that end will be greatly appreciated.

Respectfully yours,

EUGENE C. BAUER.

GARDNER, MORRISON & ROGERS,
Washington, D. C., June 22, 1954.

Re H. R. 9366 (Social Security Amendments of 1954).

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D. C.

DEAR SIR: It is our understanding that your committee will shortly have hearings in respect of H. R. 9366. In this connection, we wish to suggest, for the consideration of your committee, an amendment to section 200 of the bill. For the purpose of extending social-security coverage to American citizens employed by foreign subsidiaries of domestic corporations, section 200 of the bill (on p. 118) defines a foreign subsidiary in terms of voting stock ownership of "more than 50 percent." However, a number of domestic corporations have found it expedient or necessary to share the ownership of foreign subsidiaries 50-50 with local stockholders. Accordingly, we respectfully suggest that the words "more than 50 percent," in section 200, lines 14 and 15 and 17 and 18, on page 118, be amended to read "50 percent or more."

We wish also to call the attention of your committee to the fact that the reference in line 20, on page 113, to paragraph (7) is incorrect and the reference should instead be to paragraph (8).

Respectfully submitted.

GARDNER, MORRISON & ROGERS,
By THOMAS J. BENDOW.

JACKSONVILLE, FLA., *June 7, 1954.*

Hon. EUGENE D. MILLIKIN,
Member, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Respectfully urge your committee to eliminate provision of social-security bill (H. R. 9366) providing waiver of social-security taxes for old-age and survivors purposes for those individuals who are permanently and totally disabled.

H. PHILLIP HAMPTON, M. D.,
Chairman, Committee on Legislation and Public Policy, Florida Medical Association.

CHICAGO, ILL., *June 16, 1954.*

Hon. EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.:

On behalf of the 80,000 members of the American Dental Association, I earnestly solicit your cooperation and support to amend H. R. 9366 in the Senate Finance Committee so as to exclude self-employed dentists from OASI coverage. The principle of not covering all possible groups has already been established by the action of the House in excluding policemen, firemen, physicians, student nurses, and interns. The only question now remaining is what other group should be excluded. Since self-employed dentists rarely retire before age 70, it is obvious that they would be nonbenefiting contributors to the program. The question of inclusion of dentists in OASI has been four times rejected by the association's democratically elected house of delegates. The last time, in 1953, by a vote of 312 to 64. Association representatives will be present at the hearings to express the position of dentists in more detail. In the meantime, I shall be glad to assist you to obtain any information on this question which might be helpful to you.

LESLIE M. FITZGERALD, D. D. S.,
President, American Dental Association.

AMERICAN DENTAL ASSOCIATION,
Washington, D. C., June 23, 1954.

Senator EUGENE MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MILLIKIN: Enclosed is a telegram just received from a group of dentists of Syracuse, N. Y., who do not want to be included in social security. Will you please place this telegram in the record?

For your own information and record, I would like at this time to voice my opposition to the inclusion of dentists under the social-security amendment of 1954 in H. R. 9366. As a practicing dentist, I am unalterably opposed to the compulsory inclusion of dentists under social security.

I am of the opinion that if it is right and proper to leave the physicians out of social security, it is equally right and proper to leave the dentists out. I wish that your committee would vote that way.

Sincerely yours,

DANIEL F. LYNCH, *President-elect.*

SYRACUSE, N. Y., *June 21, 1954.*

Dr. DANIEL F. LYNCH,
Silver Spring, Md.:

We, the undersigned members of the Syracuse Dental Society, are against the social-security amendment of 1954 in H. R. 9366.

Eugene J. Hickey, Jerry J. Delbalso, Howard F. Bacham, Mason E. Seibel, D. J. Ascioti, Arthur J. Tyndall, George Corning, Richard Coughlin, Frank Chiappone, William Nicznalski, A. Zucker, E. Paul McMahon, William F. Wein, Edward J. McEneny, Edward E. Brosnan, Gordon L. Alderman, R. B. Gladezscewski, C. J. Tournatore, Edward C. Weinz, A. Murano, R. J. Hanrahan, F. Markham, Harry T. Sweeney, Martin V. Colby, Robert D. Murphy, Stuart L. Thompson, John E. Laura, Louis Fasio, Tom Funfola, John Hall, John R. McMahon, L. Fisher, K. F. Rogers, M. E. Dalbalzo, Newton White, Henry B. Richardson, O. Anderson, O. J. McCormack, M. Leo, G. D. Whittaker.

FINDLAY, OHIO, *June 19, 1954.*

CHAIRMAN, SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: I am sorry I do not have your name at this time and must address you simply as the chairman of the Senate Finance Committee.

This morning I received a letter from Mr. Daniel A. Reed, chairman of the House Ways and Means Committee in which he stated, among other things, that your committee has scheduled hearings on H. R. 9366 (a bill to extend social-security coverage) to begin on June 23.

I am a member of the Ohio school employees retirement system with approximately 34½ years of service credit toward retirement.

The fact that H. R. 9366 contemplates taking into social security public and local government employees, even though they are presently covered by local retirement systems makes the matter of vital concern to me and countless others over the Nation because many of us have benefits and provisions in our own local retirement systems not presently available under social security.

As a striking example, if you will pardon me using my own case to illustrate because, in the last year, I have been collecting exact information to assist me in planning my retirement, I would like to call your attention to two benefits to which I am entitled under our local retirement system, and of which I would be deprived under the proposed expansion of social-security coverage, unless certain sure and proper safeguards are included in the new legislation to guarantee that there be no diminution or impairment of present rights and benefits.

1. Our Ohio school employees retirement system provides optional retirement under 60 years of age if the individual has 36 years of service credit. In my case that would permit retirement with full pension at age 58½ years. Under social security I would be compelled to work 6½ more years to achieve a pension of any sort.

2. I understand the maximum pension under the new legislation is set at $98.50 per month. It is very unlikely that I would qualify for that maximum. Under our present local retirement system I would receive $107.91 per month with no qualifications when I complete 36 years of service at age 58½ years.

Thus, you can readily understand why there are very adequate grounds for the greatest concern in the minds of members of present retirement systems.

Our local systems were conceived in the best American tradition of initiative and free enterprise. Personally, I am opposed to being taken into social security because I feel our local system is sound, adequate, up to date and well managed and, most important, we members have a direct voice in the management because 3 of the 5 members of the retirement board are school employees. Moreover, our local retirement system provides invaluable benefits not associated with social security, two of which I have detailed above.

Therefore, I appeal to your sense of fairness as an American to use your best influence and bend every effort to seeing that proper and sure safeguards protecting our present benefits and rights are included in the new bill as finally enacted.

I feel that any new legislation should include the following points as minimum safeguards for existing State and local retirement systems:

(1) A statement of policy by the Congress that in providing the means of extension of social security to members of existing retirement systems, the protections and benefits provided by the present systems will not be reduced or impaired.

(2) An adequate referendum of not less than two-thirds of the membership of the respective retirement systems, rather than two-thirds of those voting.

(3) Assurance that the members of State and local retirement systems shall know what they are voting on in any referendum.

Mr. Chairman, I submit the above for the earnest consideration of yourself and members of your committee, hoping it will be of some assistance in drafting legislation that will not work injustice on many American citizens, for I am confident you sincerely desire to avoid any such result.

Thank you, and with best wishes, I am,

Sincerely yours,

ROSS MOORHEAD.

THE COLEMAN CLINIC,
Canton, Ill., June 19, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: We are writing to express our opposition to section 106 of H. R. 9366 as we understand that your committee will be shortly holding hearings on this bill. In our opinion this section is only included as an opening wedge toward the socialization of medicine for other provisions of the bill already cover the waiver of premium, disability provisions by omitting low earnings period in computing social-security benefits. We would appreciate your influence in defeating this section of H. R. 9366.

Yours very truly,

Everett P. Coleman.
E. P. COLEMAN, M. D.
D. A. Bennett.
D. A. BENNETT, M. D.
P. D. Reinertsen.
P. D. REINERTSEN, M. D.
W. I. Taylor.
W. I. TAYLOR, M. D.
T. T. Lukasik.
T. T. LUKASIK, M. D.

ALTON, ILL., *June 23, 1954.*

Senator EUGENE D. MILLIKIN,
Chairman of Senate Finance Committee,
Senate Office Building:

The Presbytery of Alton of the Presbyterian Church in the United States of America urges the inclusion of clergymen in the expansion of social security as contained in the present House bill under consideration. The presbytery does not urge any particular method for including clergymen in social security coverage but urges vigorously that they be included in it and that nothing be allowed to interfere with their inclusion in social security coverage which is strongly desired by 95 percent of the rank and file of the clergy.

EDGAR J. VANCE,
The Presbytery of Alton

KEENE TEACHERS COLLEGE,
Keene, N. H., June 12, 1954.

DEAR SENATOR UPTON: The faculty of Keene Teachers College by vote has authorized me to write you in regard to the social security bill which is soon coming up for a vote in the Senate.

As, of course, you well know, the State of New Hampshire has a very fine retirement system, and we know that the several thousand State employees who have been under this system for the past several years, strongly desire to retain the benefits of the New Hampshire retirement system. Especially, the Keene Teachers College faculty and technical staff urge that a clause be included in the national security bill which will permit the retention of their State retirement systems by the States like New Hampshire which have superior retirement systems.

All of us recognize the merits of social security, but you surely have already given this matter sufficient attention to recognize the superiority of the New Hampshire retirement system over the proposed national security plan, and I do not need to mention the many points of superiority here.

This means that it is very important that an item be included in the bill which will allow the State employees of New Hampshire to vote in referendum whether they will accept the new plan or retain the State system. This provision, we believe, should be so worded that the State retirement system shall be retained in those States which desire to retain their systems, unless by referendum vote of the State employees, two-thirds of the total membership of the system is in favor of a change.

The Keene Teachers College Faculty Club, and especially the welfare committee of the faculty, have given this matter very careful study. We find that if the national security plan is forced upon the State employees of New Hamp-

shire, the loss to a great many members of the faculty will be several hundred dollars a year from their income under the retirement system.

We know that you have given this matter your careful consideration, and trust that you have arrived at the same conclusions we have. We wish you to know that we feel very deeply in regard to these points and those which are outlined on the attached page.

We urge strongly and with confidence in your good judgment that you will work for the passage of a bill which will give all the social benefits possible, which will be helpful to those States less fortunate than New Hampshire, and which will not be detrimental to the employees of New Hampshire.

Respectfully yours,

MERTON T. GOODRICH,
Secretary, Welfare Committee, Keene Teachers College Faculty.

COMPARISON BETWEEN NEW HAMPSHIRE RETIREMENT SYSTEM AND SOCIAL SECURITY

NEW HAMPSHIRE SYSTEM	SOCIAL SECURITY
If a person has reached the age of 65 with 45 years service, the cash value which is a withdrawal value, of his retirement fund is within a few cents of $13,452. If his age is younger at retirement or his service is shorter the value is reduced in proportion.	The contract has no cash withdrawal value, and the maximum book value under the old law was $4,752 or about $870 less than the retirement fund, which is about one-third of it. The new law does not greatly improve the old.
In case of disability in line of duty, a person receives 25 percent to 40 percent of his average salary.	No disability coverage.
If member dies before retirement, the survivors receive refund of contributions plus 3 percent interest.	If member dies before retirement, with complicated restrictions, the maximum sum is about $255.
If member dies after retirement, the widow or children under 18 receive benefits under 3 options amounting to about $1,200 to $1,600 regardless of the age of the widow.	If member dies after retirement, widow receives nothing if she is under 65.
If member dies from accident in line of duty, survivors receive one-half of the average of last 5 years of salary.	No disability coverage.
No limit to earnings while receiving the retirement income.	New bill limits earnings under social security to $1,000 annually.
Public contributions to the retirement income fund guaranteed to decrease.	Rates of tax needed to supply funds will increase.
All money received and balance accumulated is funded according to a plan set up by the best actuaries in the life insurance and fund business.	Taxes received are not funded, and in 1953 the total receipts were $2 billion less than the claims.

The faculty of Keene Teachers College urges that items shall be included in the social-security bill presently before Congress—

1. Which will adequately protect the retirement rights of members of superior State retirement systems such as that of New Hampshire.
2. Which will inform members of such systems or make provisions for their being fully informed in regard to the significance of any referendum so that they shall know what they are voting upon.
3. Which will preserve the rights of State legislatures to define the coverage groups.
4. Which will require two-thirds of the eligible members of a retirement system to vote in favor of a change, before a change can be made, and will set a limiting date for such action.

DR. B. A. BRANN,
Leesburg, Va., June 21, 1954.

Hon. EUGENE MILLIKIN,
Senate Office Building, Washington D. C.

DEAR SENATOR MILLIKIN: The house of delegates, which is the regularly elected and official spokesman for the American Dental Association, has clearly expressed the opinion of the majority of the members.

I am a strong believer in orderly procedure, and due respect for and confidence in, regularly elected officials and expect them to use their best judgment. The enclosed letter is not in accord with these principles. Nor does it seem proper for a minority group of vociferous individuals to set themselves up as speaking for the majority.

Yours truly,

B. A. BRANN.

WASHINGTON, D. C., *June 15, 1954.*

Fellow Members of the District of Columbia Dental Society:

The Senate is going to vote any day now on the inclusion of dentists under the Old-Age and Security Insurance Act.

The American Dental Association is fighting inclusion of dentists under this act though every poll I have heard of has shown the great majority of dentists wish to derive the benefits offered by the act.

Our poll here taken in the beginning of the year was over 2 to 1 in favor of inclusion of dentists in this act.

Our tax dollar is helping other groups derive the benefits from this act.

We should go along with the insurance agents, accountants, and lawyers, whom I understand are not objecting.

I am sending the copy of this letter which comes to me from the mimeographer to Senator Eugene Millikin, chairman, Senate Finance Committee, Senate Office Building, Washington, D. C. Please send your copy to him right away and write in your name and address and tell him you are a practicing dentist and a member of the ADA. Time is of essence as the vote is about to be taken. Also call friends and get them in line.

With kindest regards and the earnest hope that this bill, with dentists included, will pass the Senate. I remain,

Fraternally yours,

J. GARRETT (PAT) REILLY.

BUFFALO CHAMBER OF COMMERCE,
June 22, 1954.

Hon. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: The enclosed statement has been adopted by the national affairs committee and approved by the board of directors of the Buffalo Chamber of Commerce. The statement applies as forcefully to H. R. 9366 as to the original bill, H. R. 7199.

We are opposed to the increased tax base. We believe the bill should provide for coverage of the presently uncovered aged and orphans, for the termination of old-age assistance payments to the States, and for disqualification of eligible aliens if they take up residence in foreign countries.

We shall appreciate having your comments on our position.

Sincerely yours,

CHARLES C. FICHTNER,
Executive Vice President.

BUFFALO CHAMBER OF COMMERCE—STATEMENT ON SOCIAL SECURITY BILLS

The provisions contained in the administration's social-security bill, H. R. 7199, with a few exceptions, generally improve the present program.

Inasmuch as old-age and survivors insurance is not an annuity contract which could be placed entirely on an actuarially sound basis, the present tax base of $3,600 should be retained. On that base, present tax revenues are substantially in excess of current total-benefit payments. Periodic adjustment of taxation should be made to meet the increased cost of benefit payments, as they expand; such a plan of finance would in the nature of old-age and survivors insurance represent a pay-as-you-go plan.

The presently uncovered aged and orphans should come under the provisions of the act and the minimum benefits should be increased so that the Federal old-age assistance and aid to dependent children (old-age assistance payments to the States) might be promptly terminated.

Old-age and survivors insurance benefit payments should be restricted to United States citizens and to aliens, who qualify, only so long as they remain residents of the United States.

SAN FRANCISCO CHAMBER OF COMMERCE,
San Francisco, Calif., June 21, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: We are informed that the Senate Finance Committee will begin hearings on June 23, 1954, on House approved H. R. 9366 to expand the social-security program. The San Francisco Chamber of Commerce has given much study to the proposed changes in the social-security laws which are being considered by Congress.

In connection with H. R. 9366, our organization desires to make known to your committee its position regarding two items contained in the bill; namely, extension of coverage and extension of social security to employees of local governments.

At the present time a large segment of the earning public is still not covered under OASI. Suggestions have been made that coverage only be extended to groups who wish coverage. The San Francisco Chamber of Commerce believes that the basic theory of any social-security program and its maximum practical applications can only be attained if all persons gainfully employed within the limits of practical tax collection are covered. The efficiency of any such system will always be impaired if large numbers of persons are excluded from coverage. Therefore, we recommend that the coverage provisions of the old-age and survivor's program be extended to all gainfully employed persons consistent with administrative feasibility.

Concerning the extension of social security to employees of local governments, H. R. 9366 contains a statement of policy which is (2) of section 218 (d) under section 101 (h) reading as follows:

"It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the protection afforded employees in positions covered by a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof."

This policy statement raises serious problems to many local governments which now have their own retirement systems. The pension systems in the larger cities and counties and the State system in California were created to be self-sufficient, without the addition of Federal social-security benefits. The cost of these systems to the citizen is exceedingly high. For example, the proposed San Francisco budget for 1954–55 estimates city and county contributions to the employees' retirement system will amount to $15,977,059.

If social security were extended to San Francisco employees without adjustment in the local pension system to accommodate not only the increased cost but the increased pension payments, it would require an addition of $1,150,000 annually to the city's costs, with the present 2-percent level of contribution.

We propose two recommendations for amending the subject legislation:

1. In that H. R. 9366 provides that public employees shall have the right to vote to include themselves in the Federal social-security system, we feel the same right should be afforded the Government body, which in this instance might well be the voters who are required to authorize any chances in the local pension system.

2. That the coverage provisions of the old-age and survivors' program include all persons now excluded because they are covered by local government retirement systems, provided that the costs to the local government will not be increased or the benefits under the local system when added to OASI benefits will not be impaired.

Thus adoption of these recommendations will make it possible for a local jurisdiction to modify the benefits of its retirement system so that it will supplement social-security benefits while insuring that the combined benefits of social security and the local plan could not be less than those of the local plan alone before modification.

Specifically we suggest that the statement-of-policy clause in H. R. 9366 hereinbefore referred to read as follows:

"It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the aggregate protection afforded employees, in positions covered by a retirement system on the date an agreement under this section is made applicable to service performed in such positions,

or receiving periodic benefits under such retirement system at such time, shall be at least as great, as a result of making the agreement so applicable, as it was prior to such agreement."

We respectfully urge that your committee give favorable consideration to these points bring your deliberations.

Very truly yours,

JESSE W. TAPP, *President.*

MUNICIPAL EMPLOYEES SOCIETY OF CHICAGO,
June 24, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: Your committee is now conducting hearings on H. R. 9366, an act amending the Social Security Act.

We are an organization representing over 15,000 employees of the city of Chicago, other than policemen, firemen, and teachers. We have had our own local pension system for more than 40 years. We are of the opinion that social-security coverage for our group would ultimately weaken, or even destroy, our own local system. We therefore believe that provisions in the Social Security Act allowing social-security coverage to State and local public employees covered by their own pension systems, must be strong in their protection of those who have accumulated large equities and valuable rights in their local systems. We believe the provisions in the present H. R. 9366 in this respect should be strengthened.

The National Conference on Public Employee Retirement Systems, the Municipal Finance Officers Association of the United States and Canada, and the joint committee of public employee organizations, with all of whom we are affiliated, are presenting their views before your honorable committee fully. We shall therefore not go into all the technical objections to H. R. 9366 in this memorandum which they will outline, but we do wish to individually stress the following most important points:

1. The referendum provisions relating to locally covered public employees must be retained at all costs, and should be strengthened. The bill should be amended to provide that a favorable vote of not less than two-thirds of the members of a local retirement system be required for inclusion in social security instead of the present requirement in H. R. 9366 of over 50 percent.

2. H. R. 9366, in its referendum section, relating to public employees, should be amended by adding thereto a paragraph stating, in effect that "The referendum notice shall clearly set forth the extent of pension coverage which is to be given or retained by the local system if the employees should elect to be covered under social security also."

This is vital, for otherwise the employee has no conception of what he is voting for. The good intentioned but meaningless promises at the moment of voting may well vanish with the more sober reflections of the tomorrow, and the employee who has cast his vote on the basis of fine verbal promises by exuberant boosters of social security for public employees may see his own local fund collapse before the ink on his ballot is dry. The referendum notice must show clearly what the employee is voting for, and the congressional act should so provide.

We respectfully ask that this memorandum be made part of the record of the hearings before your committee on H. R. 9366.

JOHN J. MCDONOUGH,
Vice President and Legislative Representative.

STATE OF ALABAMA,
DEPARTMENT OF PUBLIC WELFARE,
Montgomery, Ala., June 18, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: We understand that your committee is scheduled to begin hearings on June 23 on H. R. 9366, the social-security amendments of 1954. I should like to respectfully request that the attached statement be

included in the appropriate place in the record of the hearings. We in Alabama are tremendously interested in these proposed amendments.

Sincerely yours,

BILL DORROUGH,
Commissioner.

STATEMENT BY BILL DORROUGH, COMMISSIONER, ALABAMA STATE DEPARTMENT OF PUBLIC WELFARE, RE H. R. 9366

As commissioner of public welfare in Alabama, I should like to register full support of H. R. 9366. I speak both for myself and for the public-welfare officials and board members that I represent in this State.

In brief, the provisions of H. R. 9366 will have a twofold beneficial effect on public welfare in Alabama. First, the extension and strengthening of the old-age and survivors insurance program will tend to reduce the public welfare burden in the future. Second, the provisions for extending the present matching formulas for public assistance will prevent immediate hardship to the States and permit further study of Federal grants-in-aid for this purpose.

Like many other States with low per capita income, Alabama has a relatively high number of dependent people and lacks ability to meet their needs without Federal aid. In spite of continued progress in extending the OASI program, there remain many unprotected persons in Alabama who will never earn coverage under the insurance program. It is probable that this type of dependency will remain in the State for the next several years. It is important, therefore, that the needs of these already disadvantaged people be considered in overall planning for social security.

Since the vast majority of persons now on Alabama's welfare rolls may remain unable to become independent or to benefit from old-age and survivors insurance, it is important that changes in public-assistance legislation take this fact into account. We, therefore, urge careful study of any proposals that will alter or reduce Federal participation in financial aid to these dependent people.

At the same time, we are in full accord with the provisions of H. R. 9366 which govern the old-age and survivors insurance program. We favor the increased benefits, we favor extension of coverage, we favor the plan to disregard the period of lowest or no earnings, and we favor the preservation of benefit rights for the disabled. We also believe it is a wise proposal to offer OASI protection to persons now under State or local retirement systems. We think it is likewise sound that benefits under such existing systems would not be reduced by this coverage.

In conclusion, I should like to repeat that H. R. 9366 will reduce future need by its insurance provisions and will relieve the immediate problem by continuing present assistance formulas. Again, my concern for the needy in Alabama is illustrated by the fact that our recipient rates differ from those in the Nation as a whole. Alabama is granting old-age assistance to 292 per thousand of its senior citizens, whereas the number in this group receiving old-age and survivors insurance benefits is only 242 per thousand. In contrast, most recent figures for the Nation as a whole show that the old-age assistance recipient rate is 190 and the old-age and survivors insurance recipient rate is 341. This fact likewise underlines the necessity for any proposals to be examined in the light of effects on individual States and not merely in the light of effects on the national picture taken as an average.

It is encouraging that this committee is devoting so much thought and attention to the problem of social security. Your support of H. R. 9366 will be further evidence of your concern for the well-being of our people.

NEW YORK STATE TEACHERS ASSOCIATION,
Albany 10, N. Y., June 28, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MILLIKIN: On behalf of the 54,000 members of the New York State Teachers Association, I wish to respectfully request that your committee support the proposal for strengthening the referendum provisions of H. R. 9366 in regard to the extension of social-security coverage to public employees presently under public retirement systems.

We feel strongly that the members of any present system should be included under social security only after ratification by at least two thirds of the eligible members of such a system.

We further believe that when members of a system are requested to vote on whether or not to be included under social security the proposition should set forth clearly the effects the proposal will have upon existing retirement systems.

Sincerely yours,

G. HOWARD GOOLD, *Executive Secretary*.

CARILLON HOUSE,
Washington 7, D. C., June 22, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR MILLIKIN: I understand that the Senate Finance Committee which you chair will start hearings on amendments to the Social Security Act, H. R. 9366, on June 24, including "to extend coverage under the old-age and survivors program * * *."

It seems to me to be right and just to add an amendment to cover into the OASI program dependent children who may be over 18 years of age, but who are physically or mentally unable to support themselves. Some benefit programs, such as the veterans, and Public Law 239 of this Congress, covering members of the uniformed services, already recognize this principle. The social-security law does not.

It is readily apparent that the cost of supporting a permanent cripple does not dissipate on any arbitrary date, such as his 18th birthday. Nor in many cases can the parent move off the labor market and into retirement as the law intends because the limited amount he is permitted to earn without nullifying his retired benefit does not envision his continued support of a dependent who himself is ineligible for a benefit payment. The support of the dependent after the death of the parent is another factor which merits sober and serious thought.

Although I am a national vice president of the American Federation of the Physically Handicapped, Inc., with considerable experience in the handicapped field, including a personal experience for nearly 35 years, I cannot even estimate the number of such dependents who would be covered into OASI by the suggested amendment; but I do feel certain it would be relatively small dollarwise. But failure to provide such coverage can be tragically important to those few. I attach a sample of a proposed amendment, already approved by this Congress in Public Law 239.

If you or any member of the committee or its staff wish to question me I will be available at any time prior to my departure for California about July 14, and will be happy to come to the Hill when notified to do so. My phone: Emerson 2-9638.

Sincerely yours,

M. S. TISDALE.

As an example of such an amendment I quote in part from Public Law 239—83d Congress, chapter 393—1st session (H. R. 5304). An act cited as the "Uniformed Services Contingency Option Act of 1953."

SEC. 2. As used in this Act—

(*f*) The term "child" means a legitimate child, a stepchild in fact dependent on the member for support, or a legally adopted child, who is under 18 years of age and unmarried, *or a child over 18 years of age and unmarried who is incapable of self-support because of being mentally defective or physically incapacitated* if that condition existed prior to reaching age 18 and refers only to an active member's child who was born and is living at the date of retirement of the active member or to a retired member's child who was born and is living at the effective date of this Act in the case of a retired member at the effective date of the Act. (The italics are mine—MST.)

NOTE.—I do not believe this language would serve exactly in social security, nor am I too sure what the last line means; but the idea is there and could be adapted into an amendment to OASI program. I should think this would need to be a perpetual thing. The Service Act has a cutoff date.

M. S. T.

LITTLETON, COLO., *June 23, 1954.*

Hon. EUGENE D. MILLIKIN,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.:

1952 McFarland amendment to social-security act expires October 1, 1954, unless this amendment is reenacted, Colorado will lose $5 Federal funds per case for old-age assistance, permanent disabled and blind and $3 per person aid to dependent children. We respectfully urge your support in securing continuation of these Federal funds for the assistance of 70,000 needy residents of our State. Colorado public-assistance caseloads show sharp steady increase which is rapidly depleting State and county welfare funds. Any reduction of Federal welfare funds at this time would be disastrous.

Respectfully,

COLORADO JOINT PLANNING AND LEGISLATIVE COMMITTEE,
EMIL SCHNEIDER, *Chairman, Board of County Commissioners, Jefferson County, Arvada, Colo*
PAUL A. STOUT, *Secretary.*

NATIONAL ANNUITY LEAGUE, INC.,
Denver 2, Colo., June 23, 1954.

Senator EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: The officers, directors, and membership of the National Annuity League of Colorado respectfully urge your favorable action on reenactment of the McFarland amendment to the Social Security Act—continuing $5 additional Federal funds per case for old-age assistance, permanently disabled, and blind, and $3 additional per person aid to dependent children.

Colorado's public assistance caseload shows a marked increase which is steadily depleting county and State funds. Also reduction of Federal welfare funds, effective October 1, 1954, would bring tremendous hardship to 70,000 needy residents of the State of Colorado.

Sincerely yours,

C. E. BIOEDORN,
Executive Secretary.

GREENVILLE, S. C., *June 22, 1954.*

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: This letter is to thank you for your courtesy in sending me a copy of H. R. 9366. I have enjoyed seeing this bill a great deal and would now like to make the following comments:

1. I believe that the Social Security Administration according to the present law in the United States is financially unsound and morally disintegrating, and that it will lead to the deterioration and destruction of the United States of America. I am, therefore, opposed to H. R. 9366 in toto.

2. I am a physician. I was most grateful when the House Ways and Means Committee did not include physicians under the coverage of social security, and I hope that the Senate will see fit also to omit physicians from coverage under social security.

3. On page 74 of H. R. 9366 is the following sentence: "Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients * * *." On page 79 appears the following statement: "The Secretary may on his own motion review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability and, as a result of such review, may determine that such individual is not under a disability or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency." The sense of this statement is that regardless of what any physician or physicians have said regarding a given person's disability, the Secretary may overrule them. That being so, why is it necessary to have a physician see the patient at all?

In view of these provisions I would like to express my opposition not only to the whole bill but particularly to section 106 which deals with waiver of premium. In my opinion, if the Government hires physicians to diagnose disability, the last and obvious step will be to hire physicians to treat the said disability, which will lead straight to socialized medicine. I am opposed to socialized medicine, and Mr. Eisenhower has stated that he is opposed to socialized medicine. I beg you therefore once more to delete section 106 in particular from H. R. 9366.

Yours very truly,

THOMAS PARKER, M. D.

KENT & BROOKES,
San Francisco 4, June 23, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: I write upon behalf of my partner, Valentine Brookes, and myself respectfully to register our opposition to so much of the bill as passed by the House revising the social-security system as extends its coverage to self-employed practicing lawyers. We hope that this feature of the bill will not be retained by your committee and by the Senate, at least in its present mandatory form.

Our position in the matter coincides with that of the American Bar Association, whose house of delegates has considered the matter upon more than one occasion. From the point of view of most lawyers other than those working on salary who are already covered by the system, the extension of the system to them involves simply one more tax with negligible offsetting benefits. This is for the reason that lawyers as a group are not prone to retire at any given age but, on the contrary, desire to keep on working as long as they have the physical and mental capacity to do so. While advancing years may affect the volume of work they can handle, offsetting this to a considerable extent is the value to their clients of the wisdom and seasoned judgment which is largely the product of experience. Real lawyers, like doctors, enjoy their professional work and do not look forward to complete retirement. A substantial proportion of them die in the harness.

By virtue, however, of the limitations imposed by the social-security system upon the amount of earned income an individual may have without losing his right to social-security annuity, it is impractical for a lawyer to continue in practice without loss of the social-security benefit. The maximum benefit, however, is small compensation for the loss which total retirement from practice would ordinarily involve.

With all respect to the action of the House of Representatives, we do not understand the justification for the inclusion of lawyers in the system while doctors continue to be excluded. We do not mean to infer by this statement that we would favor the inclusion of lawyers if doctors were also covered. The exclusion of doctors merely makes the inclusion of lawyers seem the more invidious. We believe neither profession should be brought into the system upon a mandatory basis for the reasons we have stated.

Respectfully,

ARTHUR H. KENT.

CULVER CITY, CALIF.,
June 23, 1954.

Hon. Senator MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR MILLIKIN: Reference is made to amendments to the Social Security Act contained in H. R. 9366.

The city of Culver City joins with the League of California Cities and the American Municipal Association in urging that you use your best efforts toward incorporating in this legislation the recommendations of these two organizations.

The problem, it seems to us, should be recognized as one in which city employees and the city councils should have the opportunity of deciding for themselves whether they desire the OASI coverage as a supplement to their existing system. While H. R. 9366 is a step in the right direction in that it makes possible the extension of OASI to more employees, it is highly desirable that the restrictions now in it be removed and eligibility for coverage left to the States and munici-

palities concerned. In all legislation of this character it is imperative that the matter of the type of coverage, eligibility restrictions, and methods of procedure should remain with the local agencies so that allowances may be made for differences in local conditions. Unless this is done, the Federal legislation cannot possibly serve the useful purpose intended.

Trusting that the foregoing may have your aggressive attention, I am

Very truly yours,

M. TELLEFSON, *City Attorney.*

CITY OF HUNTINGTON PARK, CALIF.,
OFFICE OF THE CITY ATTORNEY,
Huntington Park, Calif., June 17, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: As you know, H. R. 9366 is now before the Senate for consideration. This bill is desirable in that it makes possible the extension of OASI to more city employees. However, it contains some restrictive provisions which we believe should be taken out of the bill by amendment. From the standpoint of cities it would be much better if the restrictions were removed and eligibility for coverage were left to the States and municipalities concerned. It is important that matters of coverage procedures and eligibility restrictions be decided upon a State and local basis where allowances can be made for differences in local conditions. The bill as presently written contains unwarranted exclusions from coverage, to wit: policemen and firemen.

In the event you agree with me on these observations, you are respectfully requested to use the influence of your office to bring about the desired amendments and to vote for the passage of the bill as so amended.

Respectfully,

CHRISTOPHER J. GRIFFIN,
City Attorney.

DENVER, COLO., *June 21, 1954.*

Hon. EUGENE D. MILLIKEN,
Senate Office Building, Washington, D. C.:

Urge passage of legislation designed to expand security benefits. Recommend to Senate Finance Committee that McFarland amendment expanding old-age assistance and aid to dependent children grants be reenacted. Continuation of reduction in sales-tax collections reflected in reduced pension grants in Colorado. Loss of Federal grants provided by McFarland amendment would adversely affect the welfare of Colorado's elder citizens.

QUIGG NEWTON,
Mayor of Denver.

LOS ANGELES FIRE AND POLICE PROTECTIVE LEAGUE,
Los Angeles, Calif., June 25, 1954.

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

(Attention: Mrs. Elizabeth Springer.)

GENTLEMEN: Several meetings have recently been held by the public employees retirement systems here in Los Angeles. This committee is composed of fire and police, water and power, city and county, as well as State employees.

H. R. 9366 has been submitted to three different attorneys and a thorough study has been made by the above-mentioned groups, none of whom have been able to secure the same opinion.

My observation of this bill is one of much confusion and it is my opinion that this bill should be held over for further study and clarification.

I offer this as a constructive means of eventually securing a good, sound piece of legislation on social security.

Thanking you for your consideration, I am,

Very truly yours,

SETH J. JOHNSON,
Member of Coordinating Council and California Association of Public Employees Retirement Groups.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION,
St. Paul, Minn., June 23, 1954.

Hon. EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: We are enclosing a copy of resolution passed by the Public Employees Retirement Board of the Minnesota State Public Employees Retirement Association in regard to H. R. 9366.

We trust that you will give this resolution your usual kind consideration.

Yours very sincerely,

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION,
O. M. OUSDIGIAN, *Secretary.*

RESOLUTION

Whereas the Public Employees Retirement Association created by an act of the Minnesota State Legislature in the year 1931 makes it possible for all political subdivisions to operate under the provisions of the above act; and

Whereas the Public Employees Retirement System of Minnesota covers positions of employees and officials of all counties, cities, villages, towns, townships, and school districts and has a membership exceeding 30,0000 and represents a sound investment to the public as an employer and constitutes an orderly and adequate means for providing for the retirement of its members who are superannuated and have reached the climax of their productive period; and

Whereas provisions of other acts adequately cover State employees and all public service employees not covered by said retirement association; and

Whereas the Federal Social Security Act, as amended, does not include the employees of various States and political subdivisions thereof, and there are now pending in Congress numerous bills which would have the effect of extending coverage of the Social Security Act to such employees; and

Whereas the generol extension of the Social Security Act to officials and employees of local governments as provided for in said bill is viewed with much concern by officials and employees of local political subdivisions of our State because it would seriously disrupt, confuse, and interfere with personnel and budgetary policies which could result in destroying the Public Employees Retirement Association, unit by unit, until our existence could not be justified; and

Whereas the Public Employees Retirement Association, through the tireless efforts of its board and membership and excellent cooperation and supervision on the part of the Minnesota State Legislature, has developed and built a sound and constructive retirement system with very substantial benefits, namely, $200 monthly maximum basic annuity beginning at age 60 and over and up to $100 survivors' benefits commencing at age 60 together with numerous other substantial benefits; and

Whereas specific exclusion is provided in said bills for law-enforcement and fire-fighting employees, with no attempt to provide coverage for Federal Government employees: Now, therefore, be it

Resolved, That the Minnesota State Public Employees Retirement Board in meeting assembled at the city of St. Paul, Minn., on this 18th day of June 1954, respectfully urges and petitions you, as a member of the Senate Finance Committee in the 83d Congress, 2d session, to see that proper amendments are offered to totally exclude from social security coverage all of the political subdivisions of the State of Minnesota and the public employees and officials of these political subdivisions; and be it further

Resolved, That any amendment to the Social Security Act by the 83d Congress, 2d session, resulting in interference with established rights in the Minnesota Public Employees Retirement Association would be construed as an intervention by the Federal Government in an area traditionally a matter for State legislatures to determine and control and this we sincerely believe would be wholly contrary to the basic principles underlying our Federal State system of government; and be it further

Resolved, That the chairman and secretary of the Public Employees Retirement Association be, and are, hereby instructed and directed to transmit copy of this resolution to the Honorable Senator Eugene D. Millikin, to the Honorable Senator Hugh Butler, to the Honorable Senator Edward Martin, to the Honorable Senator John J. Williams, to the Honorable Senator Ralph E. Flanders, to the Honorable Senator George W. Malone, to the Honorable Senator Frank Carlson, to the Honorable Senator Wallace F. Bennett, to the Honorable Senator Walter F. George, to the Honorable Senator Harry Flood Byrd, to the Honorable Senator

Edwin C. Johnson, to the Honorable Senator Clyde R. Hoey, to the Honorable Senator Robert S. Kerr, to the Honorable Senator J. Allen Frear, Jr., and to the Honorable Senator Russell B. Long.

GEORGE V. CLINK,
Chairman, Public Employees Retirement Board.
O. M. OUSDIGIAN,
Secretary, Public Employees Retirement Association.

STATEMENT IN THE MATTER OF H. R. 9366, A BILL PROVIDING FOR EXPANDED COVERAGE AND AN IMPROVED OLD-AGE AND SURVIVORS INSURANCE PROGRAM

Recognizing the need for pension coverage of scattered public service employees and officials in Minnesota, an act was passed by the 1931 Minnesota State Legislature providing such protection. At present the Minnesota law extends to all public service employees and officials not covered by other laws. The justification of coverage for these scattered public service employees and officials is evidenced in our records by the following: In a total of 972 political subdivisions operating under this system there are 398 with less than 6 members; 596 with less than 11 members; 683 with less than 16 members; 740 with less than 21 members; 854 with less than 51 members; leaving only 118 political subdivisions with more than 50 members, or 12 percent of the total.

In bill H. R. 9366, page 16, the wording "be deemed to be a separate retirement system with respect to each political subdivision," where a system covers employees of more than one political subdivision, would have the effect of breaking our system into 972 separate systems making it possible for any one or more of them to take social-security coverage and abandon our coverage. This could result in piecemeal destruction of the established rights of our 30,000 members, which we have so carefully constructed. Most of our members are pitifully uninformed and remain so in spite of all efforts to apprise them of the facts. They labor mostly under the false delusion that they can have two separate and tax-aided full annuities without additional expense.

Experience shows that the younger element, representing a majority, would choose the least expensive system even though benefits are less, because retirement is too far in the future and they are not pension minded. They would regret their action when older, but when too late.

We understand that there are 44 States that have passed enabling acts and have executed agreements for coverage under OASI. Our aim is not to retard the progress of social-security coverage for other States. Since we have one of the finest statewide, all-inclusive programs for our public employees and officials, and our State legislature has cooperated fully to strengthen the financial structure of our fund, and grant substantial benefits to our members and their survivors, it is our desire to be excluded from the OASI coverage. The State of Minnesota has twice rejected, through legislative action in 1951 and 1953, the enactment of an enabling act to make it possible for social-security coverage of public-service employees and officials of our State. Many Minnesota statewide organizations representing our members, such as associations of registers of deeds, county treasurers, county highway engineers, clerks of district court, county auditors, and Minnesota State Association of County Commissioners, all in conventions assembled have unanimously passed resolutions asking the Minnesota delegation in Congress to totally exclude the public employees and officials of our State. Also, the League of Minnesota Municipalities, which represents 805 local cities and villages, during the annual conference held in June 1954, turned down a resolution endorsing in principle H. R. 9366.

For your full information we submit the following very brief résumé of the benefits provided by the Minnesota Public Employees Retirement Association: Employee members pay 4 percent payroll deductions, with maximum monthly deductions of $16. The fund now amounts to $13 million, with 850 retired members. Annuities are granted at age 65 with 5 years' contributory service, with privilege of purchasing larger pro rata annuities for years of prior public service, 20 years required for full annuity of 50 percent of average salary during last 10 years, maximum $200 per month plus bonus. Thirty-five years of service is required for retirement at age 60, less 3 for each added year of age. Bonus of 1 percent granted for each paid year in excess of number required for full annuity.

Privileges as follows: Deferred pro rata annuity after 5 years of paid membership; nonemployee-contributory membership after 10 years paid membership; refund of accumulated deductions upon leaving service during first 5 years, and upon request thereafter; reinstatement rights upon resumption of public service.

Upon death of annuitant any unused portion of accumulated deductions is paid to beneficiary or heirs, or a survivor benefit of 50 percent of annuity may be granted to spouse age 60 or over, or to parent, if named sole beneficiary.

Conditional tax aid provides payment by political subdivisions of one-half of the amount deducted from employees' salaries during preceding year, but only in years when our assets fall below the total accumulated deductions of members. Only one such levy was made and collected, which was for 1950.

We desire your understanding of our efforts, the wonderful results we have obtained, and the resultant good done and to be done by us. We sincerely ask that you honorable members of the Senate Finance Committee give us the protection which our system merits and the encouragement which we deserve, plus your cooperation. Since the precedent is established in the bill totally excluding the policemen and firemen from the extension of the insurance system, the Minnesota Public Employees Retirement Association and board sincerely and respectfully request the restoration of the exclusion clause for our State of Minnesota public employees and officials.

O. M. OUSDIGIAN,
Secretary, Minnesota State Public Employees Retirement Association.

MASSACHUSETTS STATE ENGINEERS' ASSOCIATION, INC.,
Boston, Mass., June 25, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SIR: This letter refers to social security extension to public employees (H. R. 9366, formerly H. R. 7199).

The Massachusetts State Engineers' Association, Inc., respectfully requests your committee to make a part of the record our position, as stated below:

1. We support the position of the Joint Committee of Public Employees' Organization, previously stated to your committee.

2. We believe that the required number of favorable votes in the referendum, as provided in H. R. 9366, is not satisfactory. We believe that the total favorable vote in such referendum must be two-thirds of the eligible members of any public group.

3. We respectfully point out to your committee that H. R. 9366 (1) does not assure members of State and local retirement systems of knowing what they are voting on in the referendum; (2) that there was no addition of a date to make the exclusion provisions more effective (closing of the back door); (3) that there was no provision for determination of definition of a coverage group by State legislatives; (4) that there was no provision for inclusion of a starting date not earlier than the first day of the calendar year in which any public employee group is brought under social security. This is necessary in order to prevent discrimination between those groups who later are covered by social security and those groups now covered.

Very truly yours,

BENJAMIN P. BILL, *Secretary.*

TEXAS GRADUATE NURSES' ASSOCIATION,
El Paso, Tex., June 21, 1954.

Hon. LYNDON JOHNSON,
United States Senate, Washington, D. C.

MY DEAR MR. JOHNSON: This letter is written to you in the name of 7,000 professional registered nurses of the Texas Graduate Nurses' Association, to give to you our opinion on H. R. 9366, which we believe is now being considered by the Senate Finance Committee.

We note there is no Texas member on that committee and we trust you will get in touch with those on the committee and be our spokesman.

Naturally we nurses are intensely interested in social security and on the whole approve in general, the purposes of this bill.

We are, after due study, in accord with the recommendations being made by the American Nurses' Association, of which our association is a constitutent member. In the communication from the American Nurses' Association, these proposals begin with 22 to 30.

In this day, with living expenses as they are, a yearly salary of $2,500 to $3,000, less deductions, is not a very high one.

We are confident that we can count on your support of this measure; and extend to your our appreciation in advance.

With every good wish, I am

Sincerely yours,

A. LOUISE DIETRICH,
Registered Nurse, General Secretary and Cochairman, Committee on Legislation.

BUTLER COUNTY BRANCH,
PENNSYLVANIA ASSOCIATION FOR THE BLIND,
Butler, Pa., June 18, 1954.

Senator JAMES DUFF,
Senate Office Building, Washington, D. C.

DEAR SENATOR DUFF: It is my understanding that the new social-security bill passed in the lower House sets the cutoff date for Federal participation in the blind pension program in the State of Pennsylvania at June 30, 1955. The gravity of this situation cannot be overestimated. As the House version of the new Social Security Act now stands, a heavy burden will be placed upon many of the blind pension recipients in this State. It is of the utmost necessity that the deadline of June 30, 1955, be extended so that the present status of the blind pension may be continued. It is urgent that you do everything in your power to have this provision included in the final version of the Social Security Act.

On behalf of the approximately 170 blind pension recipients in Butler County, I should like to express my appreciation for anything that you can do to further our cause.

Sincerely,

JOSEPH PERRY, *Home Teacher.*

THE PENNSYLVANIA OPTOMETRIC ASSOCIATION, INC.,
Beaver Falls, Pa., June 21, 1954.

Senator JAMES DUFF,
Senate Office Building, Washington, D. C.

DEAR SENATOR DUFF: The Pennsylvania Optometric Association is interested in Senate bill 1770 which would eliminate any cutoff date for aid to blind pensioners in Pennsylvania.

The bill would not alter any program now in existence and would continue to give security to our Commonwealth's blind.

We urge that you support this excellent piece of legislation.

Sincerely,

IRVING BENNETT, O. D., *Executive Secretary.*

MCDANEL REFRACTORY PORCELAIN CO.,
Beaver Falls, Pa., June 21, 1954.

Senator JAMES DUFF,
Senate Office Building, Washington, D. C.

DEAR SENATOR DUFF: Under the present social-security program, aid to the pensions for the blind of Pennsylvania is assured until 1955; and by amendment recently passed by the House of Representatives, the date has been extended to June 30, 1957.

I am writing to you in behalf of our blind to urge your consideration and support of the Martin-Duff bill, S. 1770. This bill will provide for a more permanent security for these folks, and your efforts are appreciated.

Sincerely yours,

DONALD W. MCDANEL, *President.*

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS,
LOCAL 55,
Oakland, Calif., June 16, 1954.

Hon. SENATOR MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: The officers and members of this association wish to endorse the language on page 12, line 21, of the bill known as H. R. 7199, beginning with paragraph (5), which reads as follows:

"Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position or in any position covered by a retirement system applicable exclusively to positions in one or more law-enforcement or fire-fighting units, agencies, or departments."

May we thank you for any cooperation you may be kind enough to accord us at this time.

Most sincerely,

A. J. GRAY, *Secretary.*

CITY OF VISALIA,
Visalia, Calif., June 15, 1954.

Senator MILLIKIN,
Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR: We notice that H. R. bill No. 9366 was passed by the House and now is being sent to the Senate for consideration. It appears to us at the city level that the bill could be liberalized and that the restrictions regarding both police and firemen is an unwarranted exclusion and such details should not be in the bill itself but should be left to the State or local governments to establish eligibility restrictions.

The city of Visalia, Calif., would appreciate anything you might do in aiding the liberalizing of this bill.

Yours truly,

E. A. DUNN, *City Manager.*

CITY OF HAYWARD,
Hayward, Calif., June 21, 1954.

Subject: H. R. 9366, OASI.
To: Senator Eugene D. Millikin, chairman of the Senate Finance Committee, United States Senate, Washington, D. C.

This city urges your favorable consideration of revisions to H. R. 9366, 1954 amendments to the Social Security Act, as proposed and recommended by the American Municipal Association and the League of California Cities.

OASI coverage should be made available to all members of existing city retirement systems, but the restrictions now contained in H. R. 9366 (passed by the House of Representatives on June 1, 1954) relative to exclusion from coverage and procedural requirements, should be removed to provide for the same at the State and local level.

Your efforts to obtain these revisions are of utmost importance to municipalities such as Hayward, and will be greatly appreciated.

LOHN R. FICKLIN, *City Manager.*

UNITED STATES SENATE,
COMMITTEE ON ARMED SERVICES,
June 24, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR: In connection with the committee's consideration of H. R. 9366, amending the Social Security Act, I wish to urge favorable consideration for the repeal of subsection (b), section 344, Public Law 734. The effect of this repeal would make the provisions of subsection (a) permanent.

Subsection (a) provides that any State which had no approved plan for aid to the blind, such as Pennsylvania and Missouri, might, nevertheless, have its plan approved even though that plan did not measure up to rigid Federal standards pertaining to the limiting of income in the determination of need. Moreover, under subsection (a) Federal participation was restricted to assisting those blind persons whose income met a very rigid standard of need. The 1950 amendments provided that the Federal Social Security Administrator might approve the Pennsylvania system for aid to the blind, as in fact he did. Federal participation would thus be assured in assistance payment to certain types of cases.

The policy of postponing biennially the termination date contained in subsection (b) as is presently again proposed by the House in H. R. 9366, subjects the Commonwealth of Pennsylvania to a periodic threat of withdrawal of Federal participation. This policy would appear to subject to an unreasonable penalty, those States which provide an advantageous system for aid to the blind.

It is for these reasons that I urge your earnest consideration for the repeal of subsection (b).

I should appreciate your including my comments in the printed records of the hearings.

Best regards.

Sincerely yours,

JAMES H. DUFF.

ORTHO PHARMACEUTICAL CORP.,
Raritan, N. J., June 24, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman of the Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MILLIKIN: We understand that H. R. 9366, a measure revising the old-age and survivors insurance program, is now before the Senate Finance Committee for public hearings. While the bill has many desirable features, it contains three provisions which we feel deserve further consideration.

1. *The proposed general increase in all benefits.*—This provision is a departure from the original concept that benefits should provide a minimum floor of economic protection. The costs of this proposal, though now relatively small, would prove extremely burdensome to future taxpayers as greater numbers of persons become eligible for benefits. The additional cost 25 years hence has been estimated at the astronomical figure of $4 billion annually.

2. *The proposed increase in the tax base.*—This provision is equally contrary to the "minimum floor" concept since larger benefits will accrue to higher paid employees, the group that is least in need. Also, the expanded tax base would mean an increase in taxes to employees and employers alike, this in addition to the higher tax rates which became effective on January 1, 1954. Together the two increases confront both employees and employers with the staggering prospect of taxpayments 50 percent higher than those of only a year ago.

3. *The proposal to freeze the benefit status of disabled employees.*—Not only would this provision create a tremendous problem in administering medical determinations, but it also would tend to change the program into a system of temporary disability benefits. The proposal, it seems to us, is unnecessary since protection to a disabled employee is adequately covered in another feature of the bill which excludes the four low-earnings years in determining benefit amounts.

We feel that the above three provisions should not be a part of the present revision of the old-age and survivors insurance program. If you are in agreement with our thoughts on the three proposals, we trust that you will take whatever action is possible to eliminate them from H. R. 9366.

Very truly yours,

E. D. VAN WAGONER,
Assistant Secretary.

MONSANTO CHEMICAL CO.,
Monsanto, Ill., June 18, 1954.

Senator EUGENE D. MILLIKIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR MILLIKIN: It is my understanding that the Senate Finance Committee as well as the entire Senate body will soon be giving consideration to H. R. 9366 covering amendments to the social-security program.

We are in complete agreement with the basic principles of the social-security program. There are, however, three provisions in H. R. 9366 which we do not feel should be considered favorably. They are:

1. Increase in tax base. This proposed increase would be the second since January 1, 1954, when individual tax rates on employers and employees were raised from 1½ to 2 percent. This second increase raising the maximum covered wage from $3,600 to $4,200 would represent another $24 annually for each employee while, at the same time, the individual earning $4,200 or more would not receive increased benefits in proportion to his increased taxes.

2. "Across the board" increases in the minimum benefits are justified; however, increases in maximum benefits depart from a concept of providing a basic floor of protection. These increases would be a long step toward insupportable high benefits, dooming both private pension plans and private insurance with eventual establishment of a complete Government retirement program for everyone.

3. H. R. 9366 provides that the benefit amount and rights of individuals be frozen at the time of total disability. Administration of such a provision would necessitate a bureaucracy of Government doctors to determine disability and would mean that any of 65 to 75 million people under social security could request a free medical examination. Programs other than the old-age and survivors program are available to take care of needy permanently and totally disabled persons before they become 65 years old and it is logical to continue this same assistance after they have reached that age.

Your sincere consideration of these suggestions will be appreciated.

R. M. SCRIVENER,
Personnel Director.

THE OHIO STATE NURSES ASSOCIATION,
Columbus 5, Ohio, June 24, 1954.

Mr. EUGENE D. MILLIKIN,
Chairman, United States Senate Committee on Finance,
Senate Building, Washington 25, D. C.

MY DEAR MR. MILLIKIN: As chairman of the Senate Committee on Finance, you are already aware through the American Nurses' Association that the professional organization of registered nurses in this country approves of amendments to the Social Security Act which is being studied by your committee at the present time. The Ohio State Nurses' Association wishes to reaffirm all of the points stressed by the ANA in its letter to you of June 21, 1954. There are many professional nurses employed in the field of public health nursing, by boards of health in counties and cities throughout the State of Ohio as well as in our State department of health, itself. We believe there should be a reduction of the qualifying age of 60 for women and that provision for payment of benefits and waiver of premiums for persons under 65 who are permanently and totally disabled.

We believe there should be full coverage for State and local government employees under the retirement system. We believe profoundly there should be increased benefits and provision for acceptance of coverage by State excluded employees of nonprofit hospitals. We are sure you already realize that the exemptions now enjoyed by nonprofit hospitals are the ones making up the major reasons for the so-called shortage of nurses in this country. From the standpoint of moneys invested we understand hospitals stand second so that hospitals are and should be classed as "big business" in this country.

We also should like to recommend strongly that you consider most important the present requirement of permitting a retired employee to earn up to $75 per month and still be a recipient of retirement funds. In most instances which have come to our attention and our own employees who have retired, the amount they receive in social security benefits is too low to permit them to maintain a normal standard of living. Therefore, we hope sincerely that your committee will go along with the plan of amendments to improve retirement tests proposed in H. R.

9360 which would permit individuals to earn more than $75 per month, and still receive social-security benefits.

Thanking you in advance for your personal interest in behalf of professional registered nurses in this country, we are,

Very sincerely yours,

JOSEPHA K. LOTT, R. N.,
Chairman, Committee on Legislation, OSNA.

ILLINOIS STATE BAR ASSOCIATION,
Chicago 3, Ill., June 24, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: Enclosed herewith for your information is the official result of a statewide poll of its members taken this spring by the Illinois State Bar Association, a voluntary association of more than 8,000 members.

It is significant to note that the only kind of social security for which the majority of the lawyers all over the State, including Chicago and downstate, approved was the Jenkins-Keogh-Camp type of legislation.

Our board of governors, consisting of 20 members, selected statewide, was unanimous in disapproving every type except the one last mentioned.

We trust this will be given some weight in your consideration of the new tax bill.

Very truly yours,

TIMOTHY I. MCKNIGHT, *President.*

Analysis of the results, social security referendum: Ballots voted, 2,770; ballots returned, not voted, 4; total ballots returned, 2,774

	Yes	No	No answer
I. AGGREGATE RETURNS			
Do you favor amendment of the Social Security Act to provide:			
A. Compulsory coverage for self-employed lawyers	753	1,450	567
B. Voluntary coverag efor self-employed lawyers	1,001	1,081	688
Do you favor enactment of the Jenkins-Keogh-Camp bills as—			
A. A supplement to social-security coverage	1,004	1,144	622
B. The only type of retirement coverage to be provided self-employed lawyers	996	839	935
II. RETURNS BY EMPLOYMENT STATUS			
Do you favor amendment of the Social Security Act to provide:			
A. Compulsory coverage for self-employed lawyers:			
Self-employed	623	1,217	
Employed	83	222	
Both groups			533
B. Voluntary coverage for self-employed lawyers:			
Self-employed	827	920	
Employed	139	150	
Both groups			642
Do you favor enactment of the Jenkins-Keogh-Camp bills as—			
A. A supplement to social-security coverage—			
Self-employed	828	962	
Employed	146	168	
Both groups			574
B. The only type of retirement coverage to be provided self-employed lawyers:			
Self-employed	856	701	
Employed	129	128	
Both groups			864
III. RETURNS BY AGE GROUPS			
o you favor amendment of the Social Security Act to provide:			
A. Compulsory coverage for self-employed lawyers:			
Age 30 and under	48	193	
Age 31 to 40	160	355	
Age 41 to 50	275	372	
Age 51 to 60	159	254	
Over 60	88	249	
All age groups			558
B. Voluntary coverage for self-employed lawyers:			
Age 30 and under	99	133	
Age 31 to 40	233	265	
Age 41 to 50	306	290	
Age 51 to 60	206	176	
Over 60	142	184	
All age groups			668
Do you favor enactment of the Jenkins-Keogh-Camp bills as—			
A. A supplement to social-security coverage:			
Age 30 and under	98	141	
Age 31 to 40	243	278	
Age 41 to 50	355	293	
Age 51 to 60	190	200	
Over 60	100	211	
All age groups			602
B. The only type of retirement coverage to be provided self-employed lawyers:			
Age 30 and under	125	89	
Age 31 to 40	252	198	
Age 41 to 50	283	225	
Age 51 to 60	173	154	
Over 60	146	158	
All age groups			908

AMERICAN COUNCIL ON EDUCATION,
Washington 6, D. C., June 24, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR MILLIKIN: The House-passed social-security bill, H. R. 9366, provides an amendment to section 218 (d) of the Social Security Act making it possible for publicly supported colleges and universities, with the approval of their duly constituted governing authorities, to cover their staffs and employees under OASI without having to eliminate existing retirement systems to do

so. Since this measure is of vital interest to public education in general, and therefore to the American Council on Education, I respectfully request that this letter be made part of the record of the Senate Finance Committee's hearings on H. R. 9366 which I understand opened June 23.

The American Council on Education is an organization whose membership is made up of educational institutions and organizations. It now includes 141 national and regional educational associations with interest in education at all levels, and 951 institutions, comprising 848 universities, colleges, and junior colleges, as well as State departments of education, public and private school systems, secondary schools, public libraries, and educational divisions of business and industrial concerns.

Because it is so vitally concerned with the welfare of our country's educational institutions, the council, in the fall of 1948, set up a special committee to consider the extension of social-security protection to the staffs serving these institutions. This committee was not limited just to representatives of educational bodies. It included delegates from associations of the nonprofitmaking agencies, such as National Catholic Welfare Conference, Teachers Insurance & Annuity Association, American Association of University Professors, National Council of the Churches of Christ in the U. S. A., Association of Governing Boards of State Universities and Allied Institutions, American Vocational Association, and the Association of Land-Grant Colleges and Universities.

After a study of the problem, the committee adopted a statement in favor of extending the coverage of old-age and survivors insurance, on a voluntary basis, to publicly controlled institutions without having to eliminate existing retirement systems.

The reasons for this conclusion are compelling and too obvious to need elaboration. It is a matter of simple justice for the men and women who serve these organizations. They include not only persons in the professions, such as teachers, doctors, nurses, social workers, but also clerical workers, maids, kitchen help, janitors, common laborers. Like those in the employ of private colleges and universities or private industry, they face the prospect of an inability to continue to work because of advanced years. Like them, too, their earnings are insufficient to enable them through individual savings to make provision for their old age.

Not all publicly supported institutions have State or local retirement plans. Many of the ones that do are inadequately covered. Particularly harassing is the fact that the rights to benefits under these plans is commonly contingent upon long years of service with the organization which has established it, so that a change of job is often penalized by a sharp reduction in retirement rights, or even a total loss.

The publicly supported educational organizations render great public service, but they can function only through the agency of the men and women they employ. These men and women have every right to expect that their labor will earn them a livelihood, and a livelihood means not only satisfaction of immediate needs but some measure of protection against the economic hazards which confront all wage earners. The very fact that these men and women have devoted their lives to the service of institutions which are vital to our national welfare should make them one of the first to be considered in any scheme of social insurance, surely not the last.

These institutions have discovered that the exception from coverage is proving costly in many ways. They find themselves at a competitive disadvantage in manning their staffs and frequently are unable to attract desired personnel because they can offer no provision for old age. Free mobility of academic talent is particularly important in the field of higher education.

It is earnestly hoped that the Senate Finance Committee and other Members of the Senate will approve action, substantially the same as passed by the House, to remedy the injustice now done by the existing exclusion of persons employed by publicly supported educational institutions.

Sincerely yours,

ARTHUR S. ADAMS.

CITY OF NAPA, CALIF.,
June 17, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR MILLIKIN: The Senate Finance Committee will soon be considering H. R. 9366, amending the Social Security Act. Among other things this bill will permit some members of existing city-retirement systems to also become eligible for OASI benefits.

Unfortunately the bill as passed by the House specifically excludes members of police and fire departments. It further requires that a two-thirds approving vote of a majority of all the members of a retirement system voting at an election be required in order for the provisions of the OASI to be applicable.

Certainly the elimination of the present unfair discrimination between cities which have provided a retirement system prior to 1950 and those who have not, with regard to OASI coverage being available, is highly desirable but the question of specific groups being covered or excluded and the procedural methods to determine which cities may obtain coverage should be left to the States themselves and not frozen in the Federal legislation.

We respectfully request that you give full consideration to eliminating these restrictive provisions in H. R. 9366 when it comes before you for adoption.

Sincerely,

JOE GRECO,
Mayor.
LEE M. ROBERTS,
City Manager.

AMERICAN BAR ASSOCIATION,
STANDING COMMITTEE ON UNEMPLOYMENT AND SOCIAL SECURITY,
Cape Girardeau, Mo., June 26, 1954.

Re H. R. 9366

Senator EUGENE MILLIKIN,
Senate Building, Washington, D. C.

DEAR SENATOR: We enclose copy of progress report of our committee to the house of delegates of the American Bar Association held in Atlanta, Ga., in March 1954; also copy of our letter to Hon. William J. Jameson, president of the American Bar Association, dated June 22, 1954. The letter to Mr. Jameson makes current the status of reports received by us from bar associations on the issue of whether or not their members desire to be brought within the coverage of the social-security program.

The bill passed by the House forces self-employed lawyers into the program. You will note that of the 11 State bar associations thus far reported, 8 have voted against compulsory inclusion within the program, whereas 3 have voted in favor of it. The majority of the membership of State bar associations are not members of the American Bar Association. We have not propagandized lawyers on this issue. In 2 of the 3 State bar associations which voted in favor of inclusion, the members were propagandized, and I have copies of the propaganda and they disclose what appears to me as very unfair and lopsided propaganda, and, in one of the States, it was prepared by two men, each of whom was a member of the National Lawyers Guild.

We are not authorized to and will not ask for the privilege of appearing in person before your committee, but we are authorized and do hereby submit data which we have obtained at the direction of the American Bar Association. We sincerely hope that you will take time to read the enclosures.

Very respectfully,

ALLEN L. OLIVER, *Chairman.*

LAWYERS AND SOCIAL SECURITY—REMARKS OF ALLEN L. OLIVER, CHAIRMAN, STANDING COMMITTEE ON UNEMPLOYMENT AND SOCIAL SECURITY, AMERICAN BAR ASSOCIATION, TO NATIONAL CONFERENCE OF BAR PRESIDENTS, ATLANTA BILTMORE HOTEL, ATLANTA, GA., MARCH 7, 1954

(NOTE.—Mr. Oliver spoke informally to the luncheon meeting of the conference on Sunday but as the transcript of that talk has not yet been received, we are substituting, with Mr. Oliver's approval, a transcript of his report to the house of delegates on Tuesday, March 9, 1954.)

Mr. Chairman and members of the house, your committee on unemployment and social security desires to make what you may term a progress report. It is upon a controversial issue. There is pending in Congress at this time House bill No. 7199 which, in our opinion, vitally affects the legal profession. It is sponsored by the present incumbent of the White House. Similar proposals were sponsored by both of his two immediate predecessors. It is, therefore, not a partisan political issue. Its purpose is to bring within the social security program an additional approximately 10 million people, including all self-employed lawyers, doctors, dentists, and others within the professions.

The social security movement is worldwide. The initial legislation in our country was in 1938. Its purpose was to provide security at the age of 65 for the worker then and now being retired or discharged at that age. It specifically excluded self-employed lawyers and other professions. To include them now would be to change the present status. The OASI, or old-age and survivors' insurance, is the primary issue here.

Under the present act, if you be employed for a period of 6 quarters, 18 months, you become eligible to payment of $85 a month when you reach the age of 65, provided you do not earn as much as $75 per month when you arrive at that age of 65. If you do, you do not receive any of the benefits provided by the act. The only bargain that our committee sees in this act is for those members of the professions, ours and the other professions, who are approaching the age of 65 and have definitely determined that they will completely retire at that age—there are very few of that type—and the young man who, perhaps 25 to 35 years old, is reasonably certain that he will die within the next 10 years, and does. Those may be carried as bargains under the act. There are a few of that type.

In 1950, the American Bar Association took a position, through the action of this house, approved by the assembly, which disapproved the inclusion of lawyers within the act. This committee, of which I happen to be the chairman, was appointed immediately thereafter, and our committee has consistently approved the action initially taken by this house and approved by the assembly, which is that lawyers shall not be included within the act.

In our annual and semiannual reports to this house, we have attempted to give the reasons for inclusion as well as the reasons against inclusion.

In the November issue of the Journal, there appeared a well-written and well-arranged article written by Dean Larson, of Pittsburgh University, giving the reasons why this profession should be included. In the January issue of the Journal our committee took a position definitely giving our position, which is that we should not be included within the program.

At the Boston meeting, last August, the board of governors requested that we withdraw our report, reaffirming our position, and make a further study, particularly with reference to the voluntary or elective coming within the program, giving each lawyer the right to elect or determine whether he individually be brought within the program or not.

We wrote to the president of every State bar association. We wrote to the 50 largest bar associations in the country, and we wrote to 50 of the smaller bar associations within the country. We have charted the results. I fear you cannot see them, so may I give them to you? I shall content myself with giving you only the totals, but we have here listed how each State and how each bar association that responded—40 of them—voted. We have the letters here to back up the chart.

I give now only the totals. The State associations have voted thus: 2 for compulsory, 4 against compulsory inclusion; under the voluntary basis, 4 for, 4 against; not yet ready to report from the State associations, 10. Of course, the others are not yet ready to report or they would have written us. We give only those on which we have the written evidence.

Under the large local associations: For compulsory, 2; against compulsory, 2; for voluntary, 5; against voluntary, 2; not yet ready, 4.

The smaller associations: For compulsory, 1; against compulsory 3; for voluntary, 1; against compulsory, 3; not yet ready to report, 9, total: For compulsory, 5; against compulsory, 9; for voluntary, 10; against compulsory, or elective 8, not yet ready to report, 18.

How your particular association is listed appears here by name. You are welcome to examine it.

On Thursday of last week, we held a panel at this regional meeting and had a discussion which lasted 1 hour and 40 minutes, and when our time was up we were asked to continue. The interest of those who were there was keen. There were but few present. We were honored, I believe, by 2 or 3 members of this house.

I might tell you that the personnel of the committee which has served you included and the personnel has been continuous during the 4 years of its service—the expert of the Standard Oil, the expert of the United States Steel, a vice president and general counsel of a large insurance company in Boston; the general counsel for another insurance company; the head of the unemployment and social security program of the State of New York; and two practicing attorneys, one from the largest city in the world, the other a country practitioner, your speaker. So we have had somewhat of a cross section of our association.

Now, may I address myself to some of the basic principles involved, and I know the time is brief. Most people look at most propositions through billfold spectacles—the cost. We have urged and argued and pleaded for $2 million to build a home for this association, and haven't quite reached that amount. Yet this program, gentlemen, will cost you and the rest of the lawyers in America $24,800,000 per year on the present rate and on the present basis of $3,600, with the certainty that it will be increased.

May I call your attention also at this time to the fact that you get nothing out of this until you arrive at the age of 65, and you will get nothing until you arrive at the age of 75 unless you make less than $75 a month between the ages of 65 and 75.

May I also call to your attention the fact that in entering this program, you are not buying an insurance policy. You get no policy. You have no vested or immutable right from your Government for the money which you pay in under this program. Nobody else has that pays in under this program. I have some cases on that. A recent case decided in Massachusetts cited three United States Supreme Court decisions. I shall not take time to give them to you now. I have them if you want them.

There has been built up in this fund what is called a trust fund in which there is a surplus of $18 billions of money. I saw last year that an actuary said that if you want this plan to be carried out, it will take a trust fund, a reserve of $200 billion. The $18 billions which we now have has been invested in United States bonds. You may draw your own conclusion as to what will happen when you need the money. That is a controversial issue upon which I have definite ideas.

We are not opposed to the Jenkins-Keogh bill. We favor it. We think it is a good thing.

We were asked to direct our studies primarily to the question of voluntary inclusion. Let me tell you about three reasons why we are opposed, first, to compulsory and then nearly a dozen reasons why we are opposed to voluntary.

First, we are opposed to the inclusion of lawyers under the compulsory basis as provided in this 7199, because on principle we are against regimenting the profession. We are against selling our birthright from our Founding Fathers for an illusory mess of pottage, and it is illusory. This is not a contractual matter with the Government. It is an administrative, legislative, one which they can cut off if they please. Some countries have done so.

Secondly, we are against it because of the cost. As a profession and as individuals within the profession, we will not get out of it what we put into it unless you are one of those rare cases of the bargains that I mentioned earlier. I think if you ask any competent actuary, he will tell you that the plan is not sound economically.

We were asked to make a special study with a view of the voluntary or elective coming into the program. We have. The Lodge bill was that. It died a natural death in the Congress.

Now these reasons suggest themselves to us as opposed to the voluntary inclusion; that is, of letting each lawyer determine for himself whether he would come in: First, it isn't sound economically. I shall not dwell on that. It will cost each member more than he will ever get out of it, from the selfish viewpoint. It would be discriminatory in favor of the professions. It would give

you and me a privilege which our next door neighbor would not have. He wouldn't like it. It isn't good from a public relations standpoint. If we have the right, the privilege, he should have it. If he does not have it, why should we be put in the privileged class? It would cause dissension.

A member of this House said to me, "I now wish I had gone into it when I had the opportunity."

I said, "Yes, and if you had gone into it, you would wish now that you had not."

He said, "Agreed."

Whichever way you move in this matter, you will probably wish you had done the other. It will sow dissension, in our opinion. If you once elect, you are in, and it is irrevocable.

It would, in our opinion, ultimately result in compulsory inclusion if we were given the voluntary or elective process now. In practice, gentlemen, in our opinion, it will not work, and may I say that the opinion of our committee is now and has continuously been unanimous through the 4 years that we have served you.

Finally, we find no rank and file clamor for this thing. I am frank to tell you I thought there was. I so wrote to the members of our committee. I thought there was an upsurge from the grassroots in favor of voluntary inclusion. The chart shows I was wrong. We find no upsurge from the grassroots in favor of it.

The situation, as we find it, is very comparable to that which we found when we reported to you in San Francisco a year and a half ago. Some are for; some are against. In my humble opinion, no lawyer worthy of the name ought to either ask or permit, if he could help it, a situation where he would be dependent upon his neighbor to take care of himself in his old age, nor his family, that any lawyer worthy of the name ought to take care of himself and of his own family and not be dependent upon the public therefor.

The committee has not changed its position. We did not get the information that we present to you here in time to make a recommendation, and for us to make one would be out of order. We, therefore, present to you merely a progress report.

AMERICAN BAR ASSOCIATION,
STANDING COMMITTEE ON UNEMPLOYMENT AND SOCIAL SECURITY,
June 22, 1954.

MR. W. J. JAMESON,
Billings, Mont.

DEAR MR. JAMESON: Your special delivery received at 10 minutes of 5 this afternoon and I hasten to immediately give you what information we have at hand and will supply further details later if desired.

I amended our chart last Saturday afternoon, June 19, and have had no reply since that time, so, as of today, can report the following:

REPLIES FROM STATE BAR ASSOCIATIONS

For compulsory inclusion, 3, to wit, New Jersey, Michigan, Utah.
Against compulsory inclusion, 8, to wit, Virginia, Missouri, Arkansas, South Carolina, Illinois, Connecticut, Wisconsin, Maine.
For voluntary inclusion, 4, to wit, Indiana, Ohio, Arkansas, Wisconsin.
Against voluntary inclusion, 6, to wit, West Virginia, Virginia, Missouri, South Carolina, Illinois, Maine.
Among the large local associations reporting those for compulsory inclusion, 5, to wit, Milwaukee, Philadelphia, New York County Lawyers Association, Bar Association of City of New York, Seattle.
Opposed to compulsory inclusion, 3, Ohio County, W. Va.; Tucson; Houston.
For voluntary inclusion, 8, to wit, Phoenix, Ohio County, West Virginia, Omaha, Toledo, Columbus, Cincinnati, Oklahoma City, Houston, Baltimore.
Against voluntary, 1, Tucson.
Smaller local associations, for compulsory inclusion, 4, to wit, Hampshire County, Mass.; Wichita; Raleigh; Otsego County, N. Y.
Against compulsory inclusion, 5, Cheyene Berrien County, Mich.; Dearborn County, Ind.; Knoxville, Iowa; Preble County, Ohio; Albuquerque.
For voluntary inclusion, 6, Kansas City, Kans.; Garland County, Ark.; Wayne County, Oreg.; York County, Maine; Lucas, Ohio; Albuquerque.
Against voluntary inclusion, 5, to wit, Cheyene; Berrien County, Mich.; Dearborn County, Ind.; Knoxville, Iowa; Prebble County, Ohio.

Will try to send numbers voting and how voting tomorrow if possible.

Very sincerely,

ALLEN L. OLIVER.

COLORADO PUBLIC EXPENDITURE COUNCIL,
Denver 3, Colo., June 23, 1954.

Senator EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: For several years I have been acting as a consultant for the Colorado Joint Planning and Legislative Committee. This organization, made up of representatives from the welfare department, social-security organizations, and county commissioners, has done a great deal to bring together the different groups on questions that are, at times, of a controversial nature.

Yesterday when the welfare department brought up the relationship of the 1952 McFarland amendment to the Social Security Act, I made no effort to talk them out of sending you a wire (see inclosed copy). I merely noted that, in my opinion, both the Colorado Senators would be very much surprised and, to a certain extent, disappointed if they did not receive wires from the legislative committee on matters involving a reduction in social-security expenditures.

Old-age pension money derived from State sources has been piling up at such a great rate, partly due to the larger number of old-age and survivors insurance recipients, that it has made the fund swell so that several devices are being utilized to keep the State grants down to a reasonable figure. From State funds entirely, payments are now being made to over 4,000 class B pensioners between 60 and 65 years of age, and it is reliably stated that approximately 2,000 inmates of State institutions will make up the class C pension group.

It is generally conceded that greater economy will result when more of the load is borne by the local people. I believe that the administration is pretty well committed to a Federal, State, and local government relation which would throw a greater burden on the local people who are very close to the problem.

There is no question, however, but what the expiration of the McFarland amendment on October 2 would cause considerable disturbance in county and State finances. Counties will be making up their budgets for 1954–55 in September and October, and if they have to bear any additional expense not covered by the 1954 budgets it will be necessary for the commissioners to declare emergencies and register warrants. They are very reluctant to do this. The State legislature does not meet until January, and the assembly should be given a chance to adjust the State grants to meet any new conditions.

In order to overcome these objections, the provisions of the McFarland amendment should be continued from October 2 to March 1, 1955. While the welfare groups would naturally advocate an extension for even up to 2 years, taxpayers as a whole are sympathetic with the efforts being made to reduce Federal expenditures so Federal taxes can also be reduced and the national debt not be increased.

Yours sincerely,

FRED BENNION.

[Telegram]

1952 McFarland amendment to Social Security Act expires October 1, 1954. Unless this amendment is reenacted, Colorado will lose $5 Federal funds per case for old-age assistance, permanently disabled and blind and $3 per person aid to dependent children. We respectfully urge your support in securing continuation of these Federal funds for the assistance of 70,000 needy residents of our State. Colorado public assistance caseloads show sharp steady increase which is rapidly depleting State and county welfare funds. Any reduction of Federal welfare funds at this time would be disastrous.

STATE OF MAINE, MAINE STATE RETIREMENT SYSTEM,
Augusta, June 25, 1954.

Hon. MARGARET CHASE SMITH,
Senate Office Building, Washington, D. C.

DEAR SENATOR SMITH: We have received information to the effect that hearings on H. R. 9366 are scheduled before the Senate Finance Committee to begin on June 24.

There are certain features of the proposed amendments to the Social Security Act as they might affect the Maine State Retirement System that we wish to call to your attention and urge your support of our position in the matter. We urge you to consider carefully the position which has been and will continue to be taken by the Joint Committee of Public Employee Organizations and the National Council on Teacher Retirement to the effect that the referendum which is provided for under the terms of the present bill must not only be retained

in any legislation which may be passed by the Congress, but that its provisions should be strengthened.

Specifically we believe, as representatives of some 17,000 members of the Maine State Retirement System, that if and when any proposal to extend social-security benefits is made permissible by the Congress and/or the Maine State Legislature that all of the active members of the Maine State Retirement System shall be given the opportunity to vote on the question as to whether or not they want such coverage, and not only that, but that a definite majorly of all the members shall be required to permit the extension of social-security coverage rather than a majority of those voting which we understand is the present provision of the bill.

You can readily see that under this provision of the bill it might be that a bare third of the total membership of the system could in effect force upon the other two-thirds a situation which obviously was not wanted and would be highly undesirable.

Very truly yours,

EARLE R. HAYES, *Secretary.*

DEPARTMENT OF PUBLIC WELFARE,
STATE OF MISSISSIPPI,
Jackson 5, Miss., March 31, 1954.

Hon. FRANK E. SMITH, M. C.,
Washington, D. C.

DEAR FRANK: It is my information that H. R. 9366 is now before the Ways and Means Committee for hearings. I do not believe that it is necessary for me to come to Washington to testify before this committee as I feel that the members of the Mississippi congressional delegation can better present Mississippi's attitude toward this bill.

Under present-day living conditions with most people paying out rent or installments on buying a house plus payments on automobiles and household appliances, the average working person cannot accumulate any funds to take care of himself in his old age, which means that the Government has to take care of him, unless some method is adopted to take out a part of his pay before it gets into his hands. As most of you know, I was opposed to the social security idea up until the time I became commissioner of public welfare. Since that time I have been forced to analyze the situation from the public welfare standpoint and have begun to realize that the economy of our State has changed to such a degree that we have to have some kind of program to take care of old people. On the farms they can help support themselves but in towns and cities there is no work available for old people.

The farm labor situation has been the bone of contention, so far as the South is concerned, in the social security program and this resolution has its primary purpose including this class of people. All of you know the situation in regard to transient farm labor. If they make money, they spend it and cannot keep any, and some provision should be made for them to help the Government at least partially, to take care of them in their old age.

If the bill could be so amended that the sharecropper, renter, and lessee could be set up in self-employed class where the payment would be met in the fall as the crop was gathered rather than being paid from month to month on the furnish, and would not require the plantation owner to be liable for the tenants part if the tenant fails to pay his account, then the biggest disadvantage to this program would be relieved. Actually, the money advanced to a tenant of any class who is making a crop on his own is a loan and not a payment of wages. On all day labor the bill could still apply as it is written.

Most people are opposed to change and there would be quite a howl from our farmers for the first-payment period, but eventually it ought to help reduce their taxes by cutting down on the amount of money that has to be appropriated for welfare. All those people in our State who are now under social security would receive additional benefits should this resolution pass and all future retirees would receive more, which would be a help to the people receiving it and also to the business communities in Mississippi.

I have been a planter and have had quite a lot of tenants. I realize the reasons behind the extreme opposition of the farmer to social security but now that I have looked at both sides of the issue I am of the opinion that H. R. 9366 should be passed and that it will be a help to the economy of the State of Mississippi, eventually if not immediately.

I hope that you will give this resolution close study and that you will report your findings to the Ways and Means Committee.

With kindest personal regards, I am,

Sincerely yours,

J. A. THIGPEN, *Commissioner.*

ASSOCIATED INDUSTRIES OF NEBRASKA,
Lincoln, Nebr., June 23, 1954.

Hon. R. D. HARRISON,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN HARRISON: It has just come to our attention that one provision of H. R. 9366 (to amend the Social Security Act), as passed by the House, will create a serious hardship for all of Nebraska's seed-producing firms. As amended by the House, farmworkers would be covered if paid at least $200 in cash during the year from any one employer.

All seed growers necessarily employ large numbers of school boys and girls as well as housewives for short periods in the summer months. Generally speaking, this class of help has no regular attachment to the labor market and is working for spending money rather than for a livelihood.

In the hybrid seed corn industry in particular, it is not uncommon for individual companies to employ from 1,000 to 2,000 or more during the detasseling period. It is hot, dirty, outdoor work and as a result, the turnover in employees is very high, since many who try it are unfamiliar with it and become discouraged after a few days at work. This means that the required employment of 1,000 to 2,000 actually involves several times this number during a season.

Under the House version of H. R. 9366 these seed companies would have to see that each person hired had a social-security card, and the company would, of course, have the added expense of additional payroll work and additional recordkeeping involved in making necessary deductions and reports, not just for those earning the $200 amount, but for everyone hired since there is no way in which it can be determined in advance that a particular employee will stay long enough to meet the earnings requirement.

This requirement will, in turn, impose a burden on the Internal Revenue Service, in making refunds for those who do not meet the $200 test, that is out of all proportion, in cost, to the amount originally collected.

From the standpoint of the seed growers, this provision would only intensify an already serious problem of getting sufficient help for the short seasons during which they are absolutely essential. The requirement of procuring a social-security card, which would involve a special trip to town, would simply work to discourage parents in permitting the youngsters to take these jobs. To this would be added the headache of lost cards, lack of understanding of the deductions required, and endless explanations to those who quit before earning $200.

Social-security eligibility should be based upon a regular attachment to the labor market and it seems to us, in the case of farmworkers, that the simple $200 earnings test does not alone indicate any such atachment.

Any assistance that you can render in having this new complication cleared up in the bill as finally passed will be sincerely appreciated by this most important segment of Nebraska industry.

Sincerely yours,

DONALD E. DEVRIES, *Managing Director.*

THAMES LUMBER & MANUFACTURING CO.,
Montgomery, Ala., June 24, 1954.

Hon. LISTER HILL,
United States Senate, Washington, D. C.

DEAR SENATOR HILL: I refer you to letter under date of December 14, 1953, signed by Leslie S. Wright which was in reply to a letter I addressed you regarding dependency provision of social security.

I want to again bring this to your attention. I would not be so persistent about this were I alone in my opinion, but I have heard many, many people express similiar views. That is, when an individual has worked under social security for years—since it's origin—deductions made regularly, it would seem unfair and unequal that the amount built up in case of that individual's death, go to some man's widow or children, when that individual may have dependents

in their own family. And by "dependent" I mean this in the strict sense of the word, a dependent who has no income and who has been claimed steadily as a "dependent." I cannot see the justice of taking money paid in and giving it to others.

You see, a man may have a wife and seven children, and yet no more is deducted than for a single person; still should that man die, his entire family reaps the social security, where in the case of the single person, their dependent goes without and the money is used for someone else's family. If the law works that way, then it would seem deductions should be made for social security depending on the number of persons in one's family, otherwise, there is nothing fair and equal about it. For instance, suppose I, as a single person, pay in the exact amount as Mr. Jones with seven children and a wife. My sister, as a dependent, gets nothing from my social security, and yet money I have paid in goes to someone else. Perhaps I am expressing this ambiguously, but I think you get the point, and I hope eventually this law can be changed to where a dependent in one's immediate family will share in social security the same as "widow" or "children." Is there any chance for this?

Regards.

Sincerely,

DOROTHY WORLEY,
Post Office Box 1063, Montgomery, Ala.

THE DELTA KAPPA GAMMA SOCIETY,
ALPHA STATE ORGANIZATION,
Dallas, Tex., June 23, 1954.

Senator LYNDON JOHNSON,
Senate Office Building, Washington, D. C.

DEAR SENATOR JOHNSON: We are today in receipt of a message from the NEA regarding social-security hearings on H. R. 9366 which are scheduled to begin on June 24. Public employees are to testify on June 28, but will be allowed only 1 hour. Seven national organizations of public employees must share this time; others must file statements to be included in the record.

We are greatly concerned over the contents of the following message from Special Bulletin No. 95, NEA research division:

"Several undercurrents have been reported. Certain interests will urge the Senate Finance Committee to delete the referendum provisions, thus permitting social security coverage to be effected regardless of the wishes of the members of the existing State and local retirement systems. Certain interests will propose weakening the referendum features; others will be in favor of deleting the section having to do with coverage of public employees who are members of existing State or local retirement systems."

As you know, our preference is for exclusion from social-security coverage of those public employees having their own retirement systems and wish to keep them. If there is no chance for exclusion, use your influence in order that the referendum must be retained and its provisions strengthened.

Thanking you for the support which you have given and with appreciation for that which we believe that you will give our cause in the future, I am,

Very sincerely,

LULA MOCK,
State Chairman, Legislative Committee.

THE DALLAS RETIRED TEACHERS ASSOCIATION,
Dallas, Tex., June 23, 1954.

Senator LYNDON JOHNSON,
Senate Office Building, Washington, D. C.

DEAR SENATOR JOHNSON: We are today in receipt of a message from the NEA regarding social-security hearings on H. R. 9366 which are scheduled to begin on June 24. Public employees are to testify on June 28 but will be allowed only 1 hour. Seven national organizations of public employees must share this time. Others may file statements to be included in the record.

We are greatly concerned over the contents of this message from the NEA which we quote here: "Several undercurrents have been reported. Certain in-

terests will urge the Senate Finance Committee to delete the referendum provisions, thus permitting social-security coverage to be effected regardless of the wishes of the members of existing State and local retirement systems. Certain interests will propose weakening the referendum features; others will be in favor of deleting the section having to do with coverage of public employees who are members of existing State or local retirement systems" (Special Bulletin No. 95 NEA Research Division).

As you know, Senator Johnson, we have favored exclusion as provided in H. R. 6000, 218 (d) of the 1950 Social Security Act. We are now under that law. However, we wish the referendum retained and its provisions strengthened if exclusion is impossible.

We have appreciated your stand as you have written us about it all along and we now again urge you to do all in your power in presenting the matter to others.

Thanking you for your courteous attention to this matter, we are

Yours sincerely,

JOSEPHINE WILSON,
Chairman, Legislative Committee.
RUSH CALDWELL,
MRS. GRACE HYMER.

DONA ANA COUNTY FARM & LIVESTOCK BUREAU,
Las Cruces, N. Mex., June 24, 1954.

Hon. CLINTON P. ANDERSON,
United States Senate, Washington, D. C.

SIR: H. R. 7199, amending the Social Security Act and the Internal Revenue Code, which passed the House by such a large majority, is now before the Senate Finance Committee.

This piece of legislation includes farmers and farm labor which is contrary to the policy adopted by the Dona Ana County Farm and Livestock Bureau and the New Mexico Farm Bureau at their 1953 annual convention. For this reason, we solicit your support in getting the portions of this legislation, pertaining to farmers and farm labor, deleted from the final measure.

Our position is that old-age benefit plans should be developed according to personal and individual needs and that farmers and ranchers should be entitled to select an appropriate plan for himself. He should not be compelled to tax himself under the act as self-employed.

Your help in this will be greatly appreciated.

Sincerely yours,

W. H. GARY,
J. T. BREWSTER,
J. F. COLE,
J. L. AUGUSTINE, Jr.,
O. W. STRINGER,
G. E. BLACKWELL, Jr.,
JOHN L. GREGG, *Chairman,*
Legislative Committee.

E. C. MORAN CO., INC.,
Rockland, Maine, June 24, 1954.

United States Senator MARGARET CHASE SMITH,
Senate Office Building, Washington, D. C.

DEAR MARGARET: On Wednesday evening, June 23, a meeting of the national affairs committee of the Rockland Chamber of Commerce was held to discuss pending social-security legislation. The committee is very representative, consisting of Attorney Christy Adams, City Manager Lloyd Allen, Thorndike Hotel Owner and Operator Nathan Berliawsky, Cadillac-Oldsmobile Dealer Charles H. Berry, Clothier L. E. Coffin, Life Insurance Agent Nathan Fuller, Manufacturer Edward Gordon, Local Radio Station Manager Paul Huber, Central Maine Power Co. Divisional Superintendent Robert Hudson, Algin Manufacturing Co. Head Bart Pellicani, Dragon Cement Co. Vice President John M. Pomeroy, with the undersigned as chairman.

This committee realizes that as a practical matter, the social-security amendment bill as passed by the House will probably pass the Senate in substantially the same form and be signed into law by the President. That realization, how-

ever, has not deterred our committee from its own views, arrived at by unanimous vote, as follows:

1. That social security should adhere to its original concept—to place a floor or minimum on income received by participants—and that such floor minimum should be increased now, in the light of current high cost of living.

2. That all of the aged should be brought into the program now, instead of present policy of adding groups piecemeal.

3. That the program should be financed on a pay-as-you-go basis, retaining the present reserve fund as a cushion for depression conditions.

4. That concurrently with above, the Federal grants to the States for the aged should be eliminated.

We realize administrative difficulties of our suggestions, and also the many details not covered above; we, however, feel that if these fundamental principles are followed, the answer to details will logically follow, and that such a revised program is administratively sound.

Your consideration of these views is requested before you determine finally your position on this subject.

Sincerely,

EDWARD C. MORAN, Jr.,
Chairman, National Affairs Committee, Rockland (Maine) Chamber of Commerce.

MASSACHUSETTS POLICE ASSOCIATION AND MASSACHUSETTS POLICE MUTUAL AID ASSOCIATION,
Somerville, Mass., June 25, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, and Members of the Senate Finance Committee, care of Mrs. Elizabeth B. Springer, Clerk of Committee, Washington, D. C.

GENTLEMEN: The Massachusetts Police Association, 7,800 members, favors the total exclusion of police and fire groups as now contained in H. R. 9366. We also unanimously approve the position of the joint committee of public employees organizations.

I respectfully request that this statement be made part of the record.

Respectfully yours,

WILLIAM F. BLAKE,
Secretary, Massachusetts Police Association.

NEW HAMPSHIRE STATE EMPLOYEES' ASSOCIATION,
Concord, N. H., June 24, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, United State Senate Committee on Finance, Washington, D. C.

DEAR SENATOR MILLIKIN: It is our understanding that hearings are being held by the Senate Committee on Finance on H. R. 9366 in regard to broadening the OASI for the possible inclusion of public employees presently excluded because of coverage under their own retirement systems.

Employees of the State of New Hampshire are presently covered by the New Hampshire State Employees' Retirement System, and many persons have built their economic future around this. We recognize that the social-security system should be considered as a floor of protection and not to supersede any strong-funded retirement system.

In order that the public employees of this State may have adequate protection, we wish to be on record by stating that any legislation which would extend OASI coverage to public employees should incorporate certain safeguards, such as:

1. A referendum should be conducted among members of public-retirement systems and the members should be assured they will be fully advised on what they are voting for.

2. Two-thirds of the eligible members should be required to vote favorably, instead of two-thirds of those voting.

3. There should be a statement of policy that it is the congressional intent that present members of public-retirement systems should suffer no loss of their

present retirement rights, and should not have their anticipated benefits reduced or impaired.

Respectfully submitted.

NEW HAMPSHIRE STATE EMPLOYEES' ASSOCIATION,
LAWRENCE E. COTTER, *President*.

FIRST CONGREGATIONAL CHURCH,
Milton, Mass., June 28, 1954.

Senator EUGENE D. MILLIKIN,
Chairman of Senate Finance Committee, Washington, D. C.

DEAR SENATOR MILLIKIN: As a minister whose retirement pension will amount to only approximately $80 per month, I am deeply concerned that the social security measure now before the Senate be so enacted as to permit clergy to participate on the voluntary individual-plan basis. There are many ministers of my acquaintance who have given their lives to the church, and who find themselves in a similar, pathetic situation, so social security for us is very important.

We shall deeply appreciate anything you may do on our behalf. Thank you

Sincerely,

GEORGE B. RATCLIFFE.

MIDBORO MEDICAL GROUP,
Brooklyn 25, N. Y., June 25, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR: We, the undersigned, all duly licensed physicians of the State of New York, members of the Kings County Medical Society and the New York State Medical Society, respectfully request that all physicians be included and covered under the social security law.

Since all other professional groups are to be covered under the proposed social security law, we feel there should be no discrimination against doctors. We disagree with the present pressure exerted by the American Medical Association.

We are heartily in accord with President Eisenhower's recommendations.

Very truly yours,

Harry H. Levine, Harold E. Harris, M. D., Harry Glasser, I. Gerberg, David M. Davidson, M. D., Samuel E. Komen, M. D., Arnold Yaverbaum, Israel A. Schiller, M. D., Morris Applebaum, M. D., Marjorie S. Keaghberg, M. D., E. A. Levine, M. L. Gutkin, J. Glasser.

NEW YORK, N. Y., *June 28, 1954*.

Hon. EUGENE D. MILLIKIN,
Chairman, The Senate Finance Committee,
The Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: I am writing to express the hope that in its consideration of the revised social-security legislation (H. R. 9366), the Senate Finance Committee will aim to redress a serious inequity in the present text of this bill.

As passed by the House of Representatives, the bill continues the exemption of self-employed physicians from social-security coverage, although the President's timely and enlightened program for broadening of the act would provide such coverage for the medical profession.

According to reports published in the press, it seems that the House Ways and Means Committee, yielding to opposition by the American Medical Association, reversed itself before voting out the bill and excluded physicians. I do not know whether the voices of individual doctors were raised in time, or in sufficient measure, to counteract this pressure.

Judging from my own opinion and that of numerous colleagues personally known to me in various parts of the country, the American Medical Association by no means expresses any unified view on this issue as far as the medical profession is concerned. Those of us who desire and need the protection of this important legislation find ourselves in the paradoxical and unfortunate situa-

tion of seeing our interests impeded by our own, extremely powerful, professional organization. Our only hope in the matter now rests on far-sighted and fair-minded action by the Senate.

Respectfully yours,

ELISABETH R. GELFERD, M. D.

STATEMENT ON H. R. 9366, TO AMEND THE SOCIAL SECURITY ACT, SUBMITTED ON BEHALF OF THE NATIONAL CONSUMERS LEAGUE BY ELIZABETH S. MAGEE, GENERAL SECRETARY

The National Consumers League, which was organized more than 50 years ago, has members in every State. We began our advocacy of social-security legislation as a means of protecting workers against the economic hazards of industry before any such legislation, either State or Federal, existed in our country. We were represented on the Advisory Committee to the Committee on Economic Security, appointed by President Roosevelt in 1934. Our members enthusiastically supported the Social Security Act when it was before the Congress in 1935, and have actively worked for all strengthening amendments that have been adopted since. We therefore welcome this opportunity to present our views on further improvements in our social-security system.

The matters we wish to discuss fall under the following four general headings:

1. Extension of coverage by old-age and survivors insurance.
2. Increased benefit payments.
3. Revision of the retirement test.
4. Establishment of insurance against permanent and total disability.

EXTENSION OF COVERAGE

Our organization looks forward to a social-security system much broader in scope and wider in coverage than that provided for by the present act. We, therefore, support the proposal incorporated in H. R. 9366 to extend coverage under old-age and survivors insurance on a contributory basis to nearly 10 million persons.

We very much regret that the House failed to widen coverage of agricultural workers in the way recommended by the administration and embodied in H. R. 7199, the original Reed bill. Under the present law, as the House committee report points out, the test of "regular employment," which is required for farm workers to be eligible, is "cumbersome, complicated, and restrictive." We believe that the test of $50 cash earnings for 1 employer in a calendar quarter is decidedly preferable to the $200 annual earning provision in H. R. 9366. Many farm workers move back and forth from agriculture to other types of employment. If this were not the case, we might not have an adequate labor supply available for farm work during peak periods. Under the provisions of H. R. 9366, these persons could easily lose all their credits for the quarters in which they worked in agriculture, a result which would be most unfair.

We do not favor blanketing in under our present insurance system those persons now over 65 years, who are not working and cannot meet the minimum eligibility requirements. Persons in that group who need financial aid should continue to receive it, as at present, under the old age assistance program.

INCREASED BENEFITS

Surveys made by the Bureau of Old-Age and Survivors Insurance show that benefits paid to retired workers do not provide adequate compensation for wage losses during this period of high living costs. During the winter of 1951–52, one-sixth of the persons drawing old age insurance benefits were obliged to apply to the public assistance authorities for supplemental financial aid. Another 11 percent probably had less income to live on than persons on the old age assistance rolls.

We, therefore, strongly recommend increasing old-age and survivors insurance benefits in the following ways:

(1) By revision upward of the formula used in computing OSAI benefit amounts.

(2) By raising the amount of the annual wage base on which social security taxes are levied and benefits are computed from the present $3,600 to $6,000. This proposed change takes into account the rise in wage levels in recent years.

and restores the relationship between wages and benefits which existed in 1939, when the limit on annual earnings for benefit purposes was $3,000. In that year practically all workers who were under social security throughout the year earned less than $3,000, and so had all their earnings counted for both benefits and tax purposes. If today $6,000 were established as the base, total earnings of about 96 percent of the workers under the program would be counted for benefit and tax purposes. The House bill increased the base to $4,200. We trust that the Senate will increase this to $6,000.

(3) By restoring the 1 percent increment in the benefit amount for each year of contribution, a provision which was in the Social Security Act until 1950. We believe that under OASI, as under the recently amended retirement law for Congressmen and their employees, length of service should be reflected in the amount of benefit payments. Such a policy not only increases benefits, but promotes individual incentive and induces a greater sense of fair play.

(4) By changing the method of computing the average monthly wage on which the benefit amount is based. The Reed bill (H. R. 9366) provides for dropping out the 4 years of lowest earnings or no earnings in computing average monthly wages. This method would be substituted for the present one of dividing the worker's covered earnings by all the months in his working lifetime after 1936 or 1950, and would be a step toward stabilizing the relationship between benefits and rising wage and price levels. The Lehman bill (S. 2260), sponsored also by Senators Murray, Jackson, Humphrey, Kennedy, Douglas, Green, Morse, Pastore, Neely, and Magnuson, would go futher in establishing this relationship by permitting the averaging of the best 10 consecutive years of covered earnings for the purpose of computing the average monthly wage. For this reason we prefer the Lehman proposal.

(5) By reducing the age at which women qualify for old-age benefits from 65 to 60. The Social Security Act increases the benefit amount of a retired worker by 50 percent, if he has a wife aged 65. As wives usually are several years younger than their husbands, a period of real hardship often intervenes between the husband's retirement and the time the wife reaches the qualifying age of 65. The amendment we support would enable more couples to receive the maximum benefit to which they ultimately will be entitled, immediately upon the husband's retirement.

RETIREMENT TEST

The National Consumers League supports the provision of H. R. 9366 which permits a beneficiary under 75 years of age to earn $1,000 a year without foregoing his benefit payments. We especially favor the averaging feature of this provision, which permits the worker to continue to draw his benefits, even though he sometimes earns more than $75 a month, provided his annual earnings do not exceed $1,000.

DISABILITY INSURANCE

The Consumers League has long advocated that one of the major gaps in our social insurance system be corrected. By State or Federal laws, workers today are insured against loss of earnings due to unemployment, industrial accidents or industrial disease, and old age. But no provision yet has been made under the social security program for compensation to workers and their families during periods of unemployment caused by nonindustrial disabilities. The league, therefore, favors inclusion in the Social Security Act insurance protection against wage loss due to permanent and total disability. In addition we recommend the expansion of existing rehabilitation services so that disabled workers, as far as possible, may be retained for some kind of productive and gainful employment.

House bill 9366 does provide for the so-called disability freeze, which would permit a period of disability to be disregarded in determining a worker's insured status. Under this proposal a worker's benefits at age 65 would be computed on the basis of his earnings averaged over the years in which he actually was able to work, instead of over all the years of his working lifetime. This provision the National Consumers League strongly endorses.

We regret, however, that the administration bill (H. R. 9366) makes no provision for any form of disability insurance. It is the hope of our organization that H. R. 9366, or any substitute bill reported out by this committee for amending the Social Security Act will include adequate provisions for coping with this serious but so far neglected problem of disability, such as are included in S. 2260.

THE BOARD OF PENSIONS AND RELIEF OF THE
EVANGELICAL AND REFORMED CHURCH,
Philadelphia, Pa., June 25, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance,
United States Senator from Colorado, Washington, D. C.

DEAR SENATOR: The inclusion of the ministry under H. R. 9366 is not in conformity with the wishes of the constituency of the Evangelical and Reformed Church (membership 752,000) which adopted the following resolution at its general synod last year:

"The general synod petitions the Congress of the United States to amend the Social Security Act of 1935, as amended, so as to include ministers of religion in old-age and survivors insurance. General synod expresses a preference that this inclusion be on a voluntary self-employed basis and instructs its officers to communicate this action to the proper committees of the two Houses of Congress and support this action by testimony either alone or in conjunction with similar approaches by the representatives of other denominations and religious bodies."

Similar resolutions have been adopted by—

The Methodist Church (9,180,000 members): "* * * service of ministers to be classified with that of certain other professional groups as self-employment."

The Southern Baptist Convention (7,634,000 members): "* * * should be a bill calling for a social security contract between the Federal Government and the individual without in any sense including the churches."

The Disciples of Christ (1,815,000 members): "* * * coverage shall be available to ordained men as self-employed persons * * *."

The Evangelical Lutherans (854,000 members): "* * * that the plan adopted shall be on a voluntary self-employed basis * * *."

Similar resolutions from other church groups could be quoted, all of which would support our firm belief that the Senate Finance Committee should revise H. R. 9366 to cover the ministry as self-employed persons.

Such inclusion would not tax the churches and would thus avoid raising the explosive issue of church and state. It would likewise rightfully place the ministry on the same plane as other self-employed professions.

Please give this matter your serious consideration, and be assured of my personal appreciation and that of the church for which I speak.

Very truly yours,

SILAS P. BITTNER, *Secretary.*

STATEMENT OF THE NATIONAL SOCIETY OF PUBLIC ACCOUNTANTS IN SUPPORT OF H. R. 9366, SOCIAL SECURITY AMENDMENTS OF 1954, BY JAMES E. KEYS, EXECUTIVE DIRECTOR

The National Society of Public Accountants represents public accountants in all the States and Territories who serve the public on a full-time basis. Our prime interest in H. R. 9366 concerns the amendments to section 211 of the social-security statute. Members of our society are now excluded from coverage as members of one of the professions enumerated in section 211 (c) (5), which reads as follows:

"The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, *certified public accountant, accountant, registered or licensed as an accountant under State or municipal law, full-time practicing public accountant,* funeral director, or professional engineer; or the performance of such service by a partnership." [Italics supplied.]

The italicized portion of the subsection covers members of the National Society of Public Accountants. It does so by describing the services they render as well as the titles they may be permitted to assume. We believe the former to be a more realistic criterion for professional status than the latter. Our members have worked hard to establish the professional status of the public accountants. Each of them has submitted voluntarily to a strict code of ethics. As a result of a continuing campaign of education and indoctrination, NSPA has been able to elevate the standards of the full-time practicing public accountant to a point where he is accepted on a par with his brother professionals in most quarters. I say "most quarters" because there still exist areas where he is subject to discrimination.

I am, however, pleased to report that we are making progress on all fronts. Within the past few years several States have passed legislation which officially recognizes the public accountant as a professional competent to render all manner of accounting services. Several other State legislatures either have bills before them now, or anticipate considering such legislation in the near future.

Practically all agencies of the Federal Government accept without qualification reports and statements prepared by independent public accountants. I say "practically all," because there are still 1 or 2 holdouts. However, within the last few days the regulations of one such agency have been amended to include public accountants. With respect to enrollment to practice before the Treasury Department the question of professional status becomes a factor. For several years we have been working closely with Treasury officials in an effort to find a practical and equitable means whereby the full time practicing public accountant may be enrolled to practice before Treasury. The Department is now revising its regulations on this subject and we anticipate an improvement in the status of our members under the revised regulations.

I mention the above examples to acquaint the committee with a few of the areas in which the public accountant has experienced professional discrimination and to reconcile our former position on this legislation with the recommendations I am about to make here today. When we asked for exclusion in 1950, we did so because we wished to maintain for the public accountant the professional status he had worked so hard to obtain. We recognized that the exclusion of self employed professionals would mean to many that those who were excluded were bona fide professionals while those who were included were not. Quite candidly, the public accountant did not desire his detractors to be able to use this section of the statute as a means of saying, "I told you so; the Congress did not consider them professionals when they amended the social-security statute."

When this legislation was introduced on January 14, we decided to poll our members in anticipation of these hearings. They voted 4 to 1 in favor of inclusion! A substantial number did, however, qualify their ballots. They indicated they favored coverage if all professions were to be covered. With this result in hand, the Committee on National Affairs of the NSPA voted unanimously to support the bill as written. Incidentally, we are delighted to learn that our fellow public accountants—members of the American Institute of Accountants—are also urging coverage for all professions. In this connection, I would like to urge the committee to do all it can to avoid this statute being used as an indicia of professional status or competence. If, when finally drafted, any professional groups are excluded from coverage, I respectfully suggest that the section containing the excepted professions be prefaced by a statement indicating that inclusion or exclusion is not based on professional status or competence.

Another point I would like to make is the relationship between this bill and the various bills dealing with tax treatment of retirement plans for the self employed. The so called Keogh-Jenkins bill (H. R. 10 and 11) and similar bills pending before this Congress are, of course, somewhat related to H. R. 9366. In fact, some of our members have urged exclusion under H. R. 9366, expressing the fear that inclusion would jeopardize the passage of H. R. 10 and 11 or similar bills. We discarded this argument because we are confident that your committee and the Congress will find these bills completely compatible. A great many corporate executives are participating in the more than 20,000 private employee pension plans which receive special tax treatment and these same individuals are covered under the social security statute. We see no reason, therefore, why a self-employed professional should not be allowed to supplement his social security benefits with a pension trust on a par with the above-mentioned executive.

Before closing, I would also like to call the committee's attention to the section of the bill dealing with limitations on the earnings of persons receiving benefits. I note that the annual amount which can be earned from employment without suffering a loss of benefits has been increased and that the method of charging earnings to the months within the year has also been changed. For the self-employed professional this is an important section of the bill. As the committee well realizes, the professional man seldom makes an abrupt change from the status of the worker to that of the retired. In most instances he does not at 65, close the door to his office and "go into retirement." Generally, he breaks the ties gradually. Usually, he is capable of rendering much more competent service in his later years. In fact, his experience is his greatest asset. It seems, then, that the earnings limitations can be a particular

hardship on the man who wants to "keep his hand in" to some extent. We recognize that your committee must move slowly on many of these matters until we have more experience with the system. We ask only that you continue to liberalize this feature of the bill whenever such liberalization can be achieved consistent with the security of the program as a whole. In this connection, our society would like to compliment this committee on the careful attention and consideration it has given the views of all interested parties in its study of this very complex problem

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PUBLIC-SCHOOL TEACHERS' PENSION AND RETIREMENT FUND,
Chicago, Ill., June 28, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: The board of trustees of the Public-School Teachers' Pension and Retirement Fund of Chicago respectfully presents to the Ways and Means Committee of the House of Representatives the following statement of its position on proposed amendments to section 218 (d) of the Social Security Act, as contained in H. R. 9366. This action is in behalf of approximately 19,000 active (and retired) public-school teachers of the city of Chicago.

Our position is expressed in full by two national organizations with which the fund is affiliated, namely the National Council on Teacher Retirement and the Municipal Finance Officers Association. Your consideration and support of their recommendations are solicited. Of particular importance is the request that, if old age and survivors insurance is to be extended to members of a public employee retirement system, approval in referendum by two thirds of its members will be required. Approval by two-thirds of the persons voting on the issue is not considered an adequate safeguard. In the case of nonprofit organizations, the measure of approval for coverage, as stated in the present law, is a favorable vote by two thirds of the employees. The same consideration is requested for public employees who are members of retirement systems.

The following excellent statement of policy, contained in H. R. 9366 is reassuring to teachers and other public employees who fear the possible loss of their valued and hardearned retirement protection:

"It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the protection afforded employees in positions covered under a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof."

As a further means of insuring the deposits, earned credits, and pension expectancies, each public employee must be informed of the conditions under which social-security coverage is offered. Therefore, it is recommended that the notice of a referendum include a statement of the purpose and an explanation of the proposed plan on which the employees are asked to vote.

Your favorable consideration of these recommendations is respectfully requested.

Yours very truly,

SUSAN SCULLY,
President, Board of Trustees.

UNITED STATES SENATE,
Washington, D. C., June 28, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR GENE: I note that at the present time the Senate Finance Committee is holding hearings on the legislation to broaden the social security program. For some time I have been thinking about ways and means of making a minor change with regard to the benefits to the surviving children of insured workers. As you know, such benefits are now payable to surviving children and to the widowed mothers up to but not including the age of 18.

It is my thought that perhaps if we extended the age limit up to and including 21, it would be of material assistance to that age group who are educating themselves or attending school. It is also my thought that perhaps the law could be amended so that the benefits would be payable only during the time the surviving youngster is actually attending school.

I have found that the total number of young people between the ages of 18 and 21 attending school either in private institutions or colleges in October 1953, which is the most recent figure available, is around 1.6 million.

The cost of extending such payments up to age 21 on a yearly basis would be about six one-hundredths of 1 percent of payroll on a level premium basis (i. e., this is the amount by which the total tax contribution would be increased if the social security trust fund picks up the full long-term cost) or $60 million currently and $75 million later on as more persons become eligible with increased coverage. These cost figures conform with present law in that they include the cost of paying benefits to widowed mothers as long as their children are receiving benefits.

The cost of providing the same benefits, but only for a 10-month period (i. e., payments made only during the months actually in attendance at an educational institution) would be five one-hundredths of 1 percent of payroll, or $50 million at present and $60 million later on as more persons become eligible.

The administrative costs would be relatively small, amounting to about 5 percent of the benefits paid.

Thus it appears that both from the standpoint of cost and of administration such a proposal as you have been considering presents no great problems. The costs are relatively quite small, and experience with the education program of the GI bill of rights has shown that, on the whole, the right to educational benefits can be established without too much administrative machinery. Your proposal would have the additional advantage of making it possible for eligible children who have begun a course in an educational or trade school to continue beyond their 18th birthday if the amount of the benefits received by the family is responsible for the fact that they were able to undertake the course. Furthermore, the years 18, 19, and 20 are, of course, the years in which most young people would benefit most from the opportunity to attend an educational institution or a trade school.

Moreover, such benefits can be justified for a social-insurance system on the ground that the premature death of the father in the family has jeopardized his child's right to an education, at least to the degree that opportunity would have been presen had the father been alive and working. Finally, it could be argued that the payment to surviving children (now averaging around $35 per month) is small enough so that it would not encourage exploitation of the program by either irresponsible trade schools or other educational institutions, or by the beneficiary. At the same time it is large enough so that it might represent the difference between the opportunity to go to school or not to go. For example, such a student could under the work clause of present law, earn up through $75 in a part-time job without surrendering his benefit. Thus, using the average $35 benefit, such a student could have an income of $110 per month ($75 plus $35) and still have time enough for preparation of his lessons.

I am calling this matter to your attention with the hope that it can be considered during the hearings on the legislation broadening the social-security program and during the time you are marking up the bill for presentation to the floor of the Senate.

With best wishes, I am

Cordially yours,

KARL E. MUNDT,
United States Senator.

BOLTON LANDING, N. Y., *July 7, 1954.*

Senator EUGENE D. MILLIKIN,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.

The 11th General Assembly of the States at its last meeting, on December 6, 1952, in Chicago, adopted the following statement:

"Social security—the Social Security Act was amended in 1950 so as to permit contractural agreements between States and the Federal Security Agency for

coverage of State and local government employees under the old-age and survivors insurance system.

"Those amendments, however, prohibited the States from including such employees if they are now covered by or eligible for any existing public retirement plan.

"The 11th General Assembly of the State strongly urges the Congress of the United States to eliminate the provision of the Social Security Act which prohibits coverage as noted above, and it is further urged that the question of covering State and local employees at left entirely to the determination of the individual States within their discretion." The Council of State Governments urges, therefore, that the Social Security Act be amended:

"(1) To permit the States to enter into voluntary arrangements with the Department of Health, Education, and Welfare for coverage of State and local government employees under old-age and survivors insurance;

"(2) That the question of inclusion or exclusion of certain groups of State and local employees, and methods incident thereto, be left to the States; and

"(3) That the problem of coordinating existing State or local retirement systems with old-age and survivors insurance—that is, integration or supplementation—should be a matter to be determined by the States, as is now the case with respect to private industry."

We believe that such amendments, if adopted, will enable the States and localities, if they so desire, to take full advantage of the national system of old-age and survivors insurance; they will enable State and local employees to move in and out of public employment without jeopardizing their retirement rights; and they will contribute to the extension and perfection of the national plan for an adequate system of old-age and survivors insurance. To carry out these proposals, we recommend that all language in H. R. 9366 beginning with line 12 on page 11 through line 22 on page 19 be deleted and that section 218 (d) in Public Law 734, 81st Congress, 2d session, be repealed. We respectfully urge that you give favorable consideration to these proposals.

FRANK BANE,
Executive Director,
Council of State Governments.

NEW JERSEY STATE CHAMBER OF COMMERCE,
Newark, N. J., June 25, 1954.

Hon. H. ALEXANDER SMITH,
Senate Office Building, Washington, D. C.

DEAR ALEX: As you know, the House of Representatives on June 1 passed H. R. 9366, the administration measure which would incorporate numerous revisions into the old-age and survivors insurance program. Now being heard in public hearing before the Senate Finance Committee, this bill will soon be submitted for your consideration. While the basic position of the New Jersey State Chamber of Commerce regarding the proposed overhaul of the OASI system was transmitted to you in my letter of April 21, 1954, I should like at this time to discuss several features of H. R. 9366 which we believe contain extremely serious and alarming implications.

At the outset, however, I would like to make it perfectly clear that we are not opposed to H. R. 9366 in its entirety; we believe that several features of this bill are most desirable in that they eliminate some of the serious inequities which have characterized the OASI program for many years. We particularly subscribe to the provisions of H. R. 9366 which would extend OASI coverage to include an additional 10 million persons and liberalize the so-called earnings test.

In addition to its favorable aspects, H. R. 9366 contains several other features which we believe are contrary to the basic principles of a sound social-security retirement program, features which include:

1. An across-the-board benefit increase which, in our opinion, departs from the concept that such benefits should provide a minimum floor of economic protection to the retired aged;

2. A proposed increase in the OASI earnings base from $3,600 to $4,200 a year;

3. The proposed freezing of OASI benefit rights for persons becoming totally and permanently disabled.

With respect to the proposed benefit increases, several factors stand out. First, it seems somewhat disproportionate that minimum benefits should be raised $5 per month, from $25 to $30, while the maximum primary amount for future beneficiaries would be increased $23.50, i. e. from $85 to $108.50 monthly. In our

recommendations submitted to you earlier we urged a $5 monthly increase for all beneficiaries; we again urge this fair and equitable treatment for all claimants.

Aside from considerations of equity, the proposed benefit increases in H. R. 9366 again point up the danger of so-called bargain benefits. Should the benefit liberalizations of this measure become law, it is estimated they would increase OASI benefit costs somewhat less than $1 billion in the first year. But by 1980, as more and more persons commence to draw benefits, this additional cost per year will have increased to $4 billion. Here again we have a situation where substantial benefit increases may appear expedient now, since the great bulk of the costs of such increases would be shifted to future generations of taxpayers.

Circumstances surrounding the proposed expansion of the OASI earnings base from $3,600 to $4,200 a year are somewhat confusing. On January 1, 1954, the OASI tax rate went from 1½ to 2 percent, despite the fact that on May 19, 1953, President Eisenhower had recommended retention of the 1½ percent rate through 1954. Since Congress failed to act on the President's recommendation, a worker earning $3,600 (and his employer) will each pay $72 in OASI taxes this year as compared to $54 last year. Now it is proposed that the recent tax-rate increase be supplemented by an expansion of the tax base. Thus, if H. R. 9366 is passed in its present form the annual OASI tax contribution of the $4,200 a year wage earner (and his employer) will have increased from $54 to $84 in just a year.

We urge you to support retention of the present $3,600 OASI earnings base for the following reasons: Achieving a benefit liberalization through expansion of the taxable wage base results in larger benefit increases going to the higher wage earners—the very people who least need the added protection; the 33⅓-percent increase in the OASI tax rates which became effective January 1, 1954, precludes, we believe, any justification for a further 16⅔-percent increase in the OASI tax levy through expansion of the earnings base.

A third feature of H. R. 9366 which we believe carries serious implications is the proposal to "freeze" the OASI insured status of individuals during extended periods of disability. Not only would this proposal create extremely difficult administrative problems, since medical determinations would have to be made in all such cases, but it would also represent a major step toward transforming the OASI retirement program into a temporary disability insurance system or, carried far enough, into a program of socialized medicine. Furthermore, the purpose of this "freezing" proposal—protection of retirement benefits for persons disabled over a prolonged period—would be achieved in a large part by another provision of H. R. 9366 which permits the exclusion of a worker's 4 low-earnings years in computing his OASI benefit amount. Thus, for periods up to 4 years, the exclusion of low (or no) earnings years provision would achieve the same result as the disability freeze without the necessity of medical examinations or the danger of its more serious ramifications.

We believe that the recommendations outlined above would eliminate the present shortcomings of H. R. 9366. We respectfully urge you to support modification of the bill along these lines.

Sincerely yours,

Irving T. Gumb,
Executive Vice President.

The Deister Concentrator Co.,
Fort Wayne, Ind., June 25, 1954.

Re revisions in social-security law.

Senator Eugene D. Millikin,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

Dear Senator Millikin: The amendments to the social-security law, contained in H. R. 9366 as passed by the House on June 1, and now under consideration by the Senate Finance Committee, contained grounds for both surprise and discouragement on the part of those who in this area have given considerable thought and study to improvements in the social-security law.

Except for those who are continually looking for more and more benefits of all kinds at lesser and lesser personal cost or input, under a false principle that will consume itself and those supporting it, the sober thinking of many in this area has been that the minimum individual monthly benefits be changed only from $25 to $30 and that all other benefits remain fixed. The measure approved by the House has increased, according to our information, all benefits

from 20 to 28 percent, out of all proportion to all other conditions and developments, including the cost of living that has risen only 0.5 percent since the time when benefits were last liberalized in 1952. Thus maximum individual benefits will go from $85 to $108.50 and maximum family benefits from $168.75 to $200—reaching into the heighth of insupportable high benefits which in due course will produce collapse of the program and meanwhile sound the death knell of both private pension plans and private insurance which experience teaches have been dependable and solvent arrangements.

The tax base established at $3,600 has also seemed satisfactory to us and many others viewing this program, but the House measure raises the tax base to $4,200, calling for an additional tax of $24 for each employee and $18 for each self-employed person earning as much as that base. At this point it begins to look as if the main purpose of social security continues to be a further collection of taxes to provide money for other purposes.

We also subscribe to the thinking that the social-security program be put on a pay-as-you-go basis, where taxes are collected each year sufficient to meet that year's commitments. The House-approved measure considers no change in this regard, wherewith taxes from the employment of nearly everyone at work today will continue to be used to pay benefits currently to only a small proportion of today's aged while postponing as a future financing problem of backbreaking proportions to be compounded and confounded with every increase in benefits. Likely no one can be found with ability to figure with any degree of practicability the necessary tax rate that will meet benefit payments of between $15 and $20 billion annually, when the impact of 16 million qualified recipients must be met.

The House-approved bill extends coverage, while continuing the system of Federal grants to the States. This is representative of duplication inasmuch as Federal aid for the aged and dependent could and should be placed under a single program for overall coverage, while discontinuing other Federal old-age assistance programs.

We also favor the idea that no one personally disabled should be disqualified for benefits and that a 5-year "dropout" should be provided for individuals toally disabled for short periods. Other ideas under this heading plainly appear headed for the establishment of a system of Government doctors so that any of 65 or 75 million people under social security can request a free medical examination, with payment of benefits to adults at any age.

No family can give away first one thing and another to any and all comers and expect to survive. No business can produce and offer the general public products at cost price, 10 or 50 percent below actual cost and not commit industrial suicide. Business managements can ingratiate themselves with employees by paying wages 20 to 28 percent above the going pattern but its executives, other employees, and stockholders will not remain happy for long. The promising of ultimately impossible-to-pay benefits because the proposition is temporarily pleasant for the recipients and attractively promising to future beneficiaries does not justify any of the impractical liberalization permitted by H. R. 9300. From the standpoint of moral considerations, we might add that the mere reason of the popularity of a giveaway program for the recognizable advantages in vote getting for those who support such a program cannot be justified in the light of responsibility that should be shouldered by those elected to protect the long-term welfare and prosperity of citizens at large—and to provide both safe and sane thinking for that segment that trusts the Government to do everything for them while they blithely follow a will-of-the-wisp, mostly preferring not to be set aright.

We urge your Senate committee and in turn your associates in the Senate to weigh well the moral responsibility and the guardianship of the American weal over the future to the important extent that these considerations are tied into the social-security program for its ultimate judgment as either an honest and great achievement or just another historical hoax pereptrated in the name of social welfare.

Most of us have read that social-security taxes in France have risen to a level of 35 percent of a workingman's income, but even so cannot support such a social-security program in that country which in addition has had substantial monetary help from the United States. Are we ever to learn any of the lessons that history teaches?

Very truly yours,

DON A. WEBER,
President and General Manager.

THE COMMONWEALTH OF MASSACHUSETTS, OFFICE OF THE SECRETARY

STATE HOUSE, BOSTON

RESOLUTIONS MEMORIALIZING CONGRESS RELATIVE TO THE FEDERAL SOCIAL SECURITY ACT

Whereas the matter of extension of Federal social security to public employees in positions covered under existing retirement systems, State and local, through the amendment of section 218 (*d*) of the 1950 Social Security Act, has been proposed and is now under consideration by the Congress of the United States; and

Whereas the public employees now covered in existing retirement systems do definitely and unalterably oppose any detrimental change to their existing coverage and at the same time desire that provisions of some type be made to cover public employees not now covered in a retirement system: Therefore be it

Resolved, That any amendments to the existing Social Security Act should provide in detail the conditions under which any such extension to public employees should be permitted; and be it further

Resolved, That both active and retired members of such existing retirement systems shall be guaranteed any benefits enjoyed at the time of the enactment of such legislation without diminution or impairment; and be it further

Resolved, That in case of such extension or integration, the members shall be assured that the benefits of such combined plan are equal to or better than those of the existing retirement system; and be it further

Resolved, That such extension should be limited to those retirement systems in which at least two-thirds of the active members vote in the affirmative to accept a plan for coordinating their retirement system with the Federal social security program; and be it further

Resolved, That the General Court of Massachusetts hereby urges the Congress of the United States to enact legislation providing that no Commonwealth or State having a retirement system shall be required to have its employees brought under the provisions of the Federal Social Security Act, unless two thirds of the members of the retirement system of such Commonweath or State approves of such action; and be it further

Resolved, That copies of these resolutions be sent forthwith by the State secretary to the President of the United States, to the presiding officer of each branch of Congress, and to the members thereof from this Commonwealth.

Adopted: House of Representatives, March 10, 1954.

LAWRENCE R. GROVE, *Clerk*.

Adopted, in concurrence: March 16, 1954.

IRVING N. HAYDEN, *Clerk*.

A true copy. Attest:
[SEAL]

EDWARD J. CRONIN,
Secretary of the Commonwealth.

STATEMENT OF ARTHUR J. PACKARD, CHAIRMAN OF THE BOARD, AMERICAN HOTEL ASSOCIATION

Mr. Chairman and gentlemen of the committee, I am Arthur J. Packard of Mount Vernon, Ohio. I am chairman of the governmental affairs committee of the American Hotel Association.

Even though this bill (H. R. 7199) made no reference to tip income in its original form as introduced in the House, several witnesses before the House Ways and Means Committee urged an amendment imposing social-security taxes on an employer for all of the tip income of his employees. I note a similar proposal has been made to this committee. As one of the industries which would be most seriously harmed by this proposal, we wish to register our objection to it.

We feel that Congress should not impose upon a hotel operator the obligation of accounting for, and paying social-security taxes on, the tip income of his employees when he has no practical means of obtaining the information.

Hotel service employees pocket whatever gratuities they receive from guests. No report on such income is ever made to the management. It is only in those establishments where a percentage for gratuities is added to the check that the management can determine the amount, and employers are already required to withhold and pay contributions on tips received under these circumstances.

Otherwise, it is impossible for a hotel operator to demand and obtain an accurate and full accounting of this type of income from every service employee.

Spokesmen for labor groups have always pointed out that it is impractical to report tips for income tax withholding purposes, and the same reasoning should apply here. If tips are reported for social-security purposes, the employer will certainly be required to withhold income tax on the amount reported, and yet he never has the money in his hands. The complications and impracticability of this are too numerous to mention.

The only practical method is for employees to treat this tip income in the manner that the self-employed person does and make a report direct to the Treasury. Many tip employees are banquet waiters and other casual employees who are essentially self-employed at least to the extent of the tips they receive from patrons.

The tip income does not come from the hotel management but from the general public. This suggestion would solve the problem of including the tips in wages and provide the employee with appropriate and full benefits under the social-security laws.

We are gratified that the House Ways and Means Committee, after due consideration, rejected all proposals to impose upon employers the obligation of withholding and paying social-security tax on tip income. However, we are anxious to get the hotel industry's views on record with this committee so that they may be considered along with any other testimony you may receive on this subject during these hearings.

MASSACHUSETTS TEACHERS ASSOCIATION,
Boston, Mass., June 18, 1954.

CHAIRMAN, SENATE FINANCE COMMITTEE,
Capitol Building, Washington, D. C.

DEAR SIR: Now pending before the Senate Finance Committee is a matter in which millions of public employees throughout the country are very much interested, namely, that portion of H. R. 9366 which relates to opening up United States social-security pensions to public employees (OASI).

H. R. 7199 on the subject of extending social security to public employees in the States and municipalities passed the House of Representatives after long consideration and was made a part of H. R. 9366. It goes without saying that public employees who have good retirement plans already, as in Massachusetts and many other States, are afraid of the extension of United States social security unless there are very careful safeguards to protect well-established retirement systems.

The general purpose of this letter is to ask the Senate Finance Committee to be very careful in the phraseology of any law of this kind; and the special purpose of this letter is to urge retention of the provision that a secret, written referendum be held among the members of a retirement system before a State adopts social security, and secondly that this referendum require that two-thirds of the members must vote instead of a mere majority. We believe that the referendum should involve two-thirds of the eligible members to be valid.

Respectfully yours,

HUGH NIXON,
Executive Secretary.

STATEMENT OF DR. H. TRUMAN GORDON, PH. D., D. D., WASHINGTON, D. C., MINISTER, LECTURER, ECONOMIST, AND SOCIAL SERVICE WORKER

Mr. Chairman and members of the committee, I would, first of all, kindly ask that you allow me to make some remarks with reference to my personal qualifications, observations, and experience in this field of social welfare, for it is my intention to place my views before you on the question of social-security amendments as a private citizen, and not as representing any organization with which I have been connected in the past, or am connected with at the present time.

While serving as a church builder, minister and pastor of a city church in Minneapolis, Minn., which in less than 10 years came to be a large and influential religious and social-welfare organization, I had the opportunity of devoting from 10 to 12 weeks each summer, for 11 years, lecturing on the Chautauqua platforms through 35 of our 48 States. This gave me a wide opportunity to

observe and study, firsthand, the growing problem of the lack of economic security for the aging population of our Nation. This was during the period of 1919 to 1920, inclusive. Also, I had my first practical experience in dealing realistically with the poverty problem of the aged citizens while I served as a member of the board of directors of the Minneapolis Family Welfare Association, for more than 5 years, in the 1920's. It was also during these years that, as a graduate student, I was determined to gain a clear understanding of the major economic factors that, when utilized honestly, produce prosperity and security for all citizens, but when absent, or disregarded, inevitably results in such a deplorable lack of income for our citizens that have grown too old to work and earn and for those other citizens who, because of physical disability, are unable to work during any part of their adult years—that all such citizens, now numbering between 17 and 18 millions, are simply compelled to endure a standard of living so low and far below the average standard maintained by our steadily employed Americans, that our failure to properly correct this situation should cause all of us to hang our heads in shame. Therefore, I wedged in enough time and research in the field of economics to receive the degree of doctor of philosophy in the field of economics, from one of our truly great American universities.

In the spring of 1930, I undertook a 6-month travel, study, and observation tour of 8 European countries. I was then tremendously impressed with the national social security and old-age retirement systems that had, even at that time, been in operation for a number of years, in the three Scandanavian countries of the Old World.

Mr. Chairman and Senate Finance Committee members, for some days you have been engaged in conducting public hearings on H. R. 9366, the House-passed social-security bill for 1954. I fully understand that it is not within your province to reject this bill in toto, and to recommend any other program that would differ greatly from H. R. 9366 in its basic provisions; but, there are certain improving amendments and changes that you can, and I trust that you will, make in this social-security bill now having your earnest consideration, in the name of justice, honor, and honesty, that will enable the administrators of the new social-security program to deal more realistically, righteously, and adequately with this large segment of our population, giving to each and every person involved in this program, a higher level of economic security than they are now forced to endure.

Before I mention specifically the improvements that your honorable committee can make in H. R. 9366 that will make this all-important contribution of better social security by the 83d Congress for all Americans very much more acceptable to the great majority of our United States citizens, I wish to make the following observation:

For more than 10 years, I have been a strong supporter of the basic formula for a pay-as-you-go Federal social security for all program, as advocated by Dr. Francis E. Townsend, and strongly supported by the Townsend organization comprising many millions of citizens that hope to see the day soon come when this program will be given a fair trial.

From an economic as well as from the humanitarian point of view, the program presented in H. R. 2446 introduced by Representative Homer Angell, and in H. R. 2447, introduced by Representative Robert Secrest, comes closer to offering a complete and permanent solution of our social-security problem than any other proposals made in this 83d Congress.

However I now wish to suggest the following changes that your honorable committee can well make in your executive committee sessions in the House-passed bill, H. R. 9366, that will make this 1954 offering of a better social-security system much more adequate to meet the needs of the present time, and more acceptable to the American citizens.

(1) Benefits, through the system, should become available and payable at an earlier age than age 65. This point should require no argument at all. Everybody knows something about the greatly improved methods of production now employed in every American industry; resulting in the shorter workingday, shorter workingweek, and eliminating the need for the employment of workers of advancing age. We must look to our American system of private industry and business to create and provide good opportunities of employment to all of our youthful citizens as soon as they are ready to go to work. We must provide ample retirement opportunity to all men and women at age 60. In fact, I sincerely believe that all widows of men who have become entitled to social-security benefits, should qualify to receive as survivors the full amount of

benefit credited to their husbands, as primary beneficiaries, and to receive it at the age of 55, if widowed at that age.

(2) The question of how to accomplish complete, nationwide, universal coverage for all United States citizens under one Federal system, seems to plague many of our lawmakers. It should not. It should be obvious to all, I think, that as long as our social-security system definitely makes second-class citizens out of all beneficiaries, and, I would say, makes third- or fourth-class citizens out of all of our people that are accorded old-age assistance benefits (with Federal matching of the funds), then this entire system of social security can well be regarded as being morally unconstitutional (if not legally unconstitutional). The spectacle in every town and city of one, over-work-age worker being said to be retired with dignity, because he had the opportunity to earn even a meager OASI benefit credit, while next door to him, or across the street, another too-old-to-work citizen who never had any opportunity to work under covered employment, must bow to the humiliation and the mental anguish of meeting the conditions of acknowledged pauperism and regimentation required of them, as well as give up to the State and county his equity in however small a home he may have acquired to reside in—this spells out a system that is truly obnoxious to every fair-minded citizen that should now, by all means, be brought to an end.

There should be no problem about your honorable committee writing into H. R. 9366, a formula for assumed social-security credits for every American who did not have opportunity to earn such credits. The assumption that every such citizen is entitled to a base credit of at least $110 per month, is fully justified, which then, in the formula of the present determination of amount of monthly benefits now provided in H. R. 9366, would give to every United States citizen, above retirement age, a minimum monthly income of not less than $60.50 per month.

It is my studied opinion, earnestly suggested to you gentlemen, that you should make the above recommendation to the United States Senate and to the House of Representatives. Admitting, however, in this connection, that the possible minimum benefit of $60.50 per month continues to be inadequate, yet it would be double the meager and unreasonable proposal of the $30 per month minimum, now provided in H. R. 9366.

(3) If your honorable committee will consider the realistic proposal that the total of revenue that accrues, from the payment of social-security taxes, by each employed generation of workers should be used, in total—after deduction only of administrative cost—for the payment of current benefits to the beneficiaries now—the certain increase in our population (our United States population has increased 10 million in the past 4 years), and the increase in the total numbers of employed earners in the Nation fully keeping up with the gradual increase in the number of beneficiaries, then of course both the minimum and the maximum, as well as the great majority of beneficiaries who are in between these two extremes, all of them could be paid a larger retirement, monthly benefit. This, in turn, would greatly increase our economic prosperity due to the larger and stronger consumer-purchasing power that would be maintained at all times. Every economist knows that when all citizens possess sufficient purchasing power to enable them to buy all goods and products that go to maintain a high standard of living, our entire Nation of more than 163 millions of people would then enjoy an ever increasing economic prosperity.

Finally, Mr. Chairman and committee members, I have only one more suggestion to lay before you for consideration. It is—

(4) As we all know, total disability is even more certain to deprive any citizen of all opportunity to earn a living than is the creeping up of old age. We have now delayed, far too long, the matter of including all of our 2,400,000 plus totally disabled citizens, as beneficiaries under our social-security system. It is my opinion that each one of our permanently disabled citizens is entitled to receive the maximum amount of monthly benefits accorded to any worker under our social-security system.

I am certain that it is the prayer of many millions of our good American citizens, that your committee may do even more than I have suggested to give our people the economic security they are entitled to.

TOPEKA, KANS., *June 23, 1954.*

Senator FRANK CARLSON,
Senate Office Building, Washington, D. C.:

Kansas Livestock Association is opposed to forcing farmers and stockmen into social security. We strongly urge that they be eliminated from the present bill.

J. W. BIRNEY,
President, Kansas Livestock Association.

SOCIAL SERVICE COMMISSION OF THE
NATIONAL BAPTIST CONVENTION, INC.,
July 2, 1954.

STATEMENT ON BEHALF OF THE NATIONAL BAPTIST CONVENTION, INC., REGARDING THE POSSIBLE EXPANSION OF SOCIAL-SECURITY PROVISIONS TO INCLUDE ORDAINED MINISTERS

Issued from the office of Social Service Commission, Claude Lavoisier Franklin, chairman

The recent bill, H. R. 9366, which has already passed the House, and which is anticipated passage by the Senate, contributes to give more adequate security to ministers in their old age.

We express our desire that if provision is to be made for the inclusion of ministers in the system of social security it should be on a basis that will be unobjectionable to them on grounds of conscience and will result in broad participation by ministers and church bodies.

We subscribe to the statement by M. Forest Ashbrook, made on behalf of the National Council of Churches of Christ in the United States of America, when he refers to this problem. This problem was recognized by the group of consultants appointed by the Department of Health, Education, and Welfare, as set forth on pages 16 and 17 of their report in the following words:

"The other view is that if any class of individual is to be allowed to elect to stay outside of old-age and survivors insurance coverage this freedom to choose should be extended to ministers and its effectiveness should not be affected by transfer from one congregation to another. Resistance to coverage on the part of some ministers is considered by them to be a matter of principle. To meet this latter view it has been proposed that if a minister elected to be covered he would be covered whenever he worked for an organization that had also elected coverage. A minister who had not elected coverage would not be covered, no matter what action his employing organization had taken. Those holding this view point out that in any case the minister would not have the election to come into the system unless the employing organization has similarly elected."

We join with the National Council of Churches that your committee make the following amendment:

Striking of the words beginning on line 7, page 8, of H. R. 9366, following the numeral (II), "who became an employee of such organization after the certificate was filed and after such period began" and substituting therefor the following words: "whose signature appears on a supplemental list filed after the original certificate was filed and after such period began pursuant to section 1426 (1) (3) of the Internal Revenue Code." A corresponding change would be required in section 1426 (b) of the Internal Revenue Code.

The National Baptist Convention, Inc., wishes the Social Service Commission to express very deep appreciation of this opportunity to present these views and request your favorable consideration.

SOCIAL SERVICE COMMISSION,
CLAUDE LAVOISIER FRANKLIN,
Chairman.

CALIFORNIA NORTHERN HOTEL ASSOCIATION,
San Francisco, Calif., June 29, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: Under date of June 21, 1954, a letter was sent your committee by the San Francisco Chamber of Commerce relating to H. R. 9366. We are in full accord with the statements made in this communication.

The chamber of commerce recommendations for amending the subject legislation which we approve are:

(*a*) The same right should be afforded the Government body, which in this instance might well be the voters who are required to authorize any changes in the local pension system.

(*b*) The statement-of-policy clause in H. R. 9366 to read:

It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the aggregate protection afforded employees, in positions covered by a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, shall be at least as great, as a result of making the agreement so applicable, as it was prior to such agreement.

We respectfully urge your committee to give favorable consideration to these points.

Yours very truly,

HARRY TROUPE, *Secretary-Treasurer.*

COLORADO STATE CHAMBER OF COMMERCE,
Denver, Colo., June 29, 1954.

Hon. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR GENE: As you know, the House of Representatives on June 1 passed H. R. 9366, the administration measure which would incorporate numerous revisions into the old-age and survivors insurance program. Now being heard in public hearing before the Senate Finance Committee, this bill will soon be submitted for your consideration. While the basic position of the Colorado State Chamber of Commerce regarding the proposed overhaul of the OASI system has been called to your attention before, we should like at this time to discuss several features of H. R. 9366 which we believe contain extremely serious and alarming implications.

At the outset, however, we want to make it perfectly clear that we are not opposed to H. R. 9366 in its entirety; we believe that several features of this bill are most desirable in that they eliminate some of the serious inequities which have characterized the OASI program for many years. We particularly subscribe to the provisions of H. R. 9366 which would extend OASI coverage to include an additional 10 million persons and liberalize the so-called earnings test.

In addition to its favorable aspects, H. R. 9366 contains several other features which we believe are contrary to the basic principles of a sound social-security retirement program, features which include:

1. An across-the-board benefit increase which, in our opinion departs from the concept that such benefits should provide a minimum floor of economic protection to the retired aged;
2. A proposed increase in the OASI earnings base from $3,600 to $4,200 a year;
3. The proposed "freezing" of OASI benefit rights for persons becoming totally and permanently disabled.

With respect to the proposed benefit increases, several factors stand out. First, it seems somewhat disproportionate that minimum benefits should be raised $5 per month, from $25 to $30, while the maximum primary amount for future beneficiaries would be increased to $23.50, i. e., from $85 to $108.50 monthly.

Aside from considerations of equity, the proposed benefit increases in H. R. 9366 again point up the danger of so-called bargain benefits. Should the benefit liberalization of this measure become law, it is estimated they would increase OASI benefit costs somewhat less than $1 billion in the first year. But by 1980, as more and more persons commence to draw benefits, this additional cost per year will have increased to $4 billion. Here again we have a situation where substantial benefit increases may appear expedient now, since the great bulk of the costs of such increases would be shifted to future generations of taxpayers.

Circumstances surrounding the proposed expansion of the OASI earnings base from $3,600 to $4,200 a year are somewhat confusing. On January 1, 1954, the OASI tax rate went from 1½ to 2 percent, despite the fact that on May 19, 1953, President Eisenhower had recommended retention of the 1½ percent

rate through 1954. Since Congress failed to act on the President's recommendation, a worker earning $3,600 a year (and his employer) will each pay $72 in OASI taxes this year as compared to $54 last year. Now it is proposed that the recent tax rate increase be supplemented by an expansion of the tax base. Thus if H. R. 9366 is passed in its present form the annual OASI tax contribution of the $4,200-a-year wage earner (and his employer) will have increased from $54 to $84 in just a year.

You are well aware of our costly State old-age pension program. This, combined with the proposed liberalization of OASI, would make even less justifiable aged.

We urge you to support retention of the present $3,600 OASI earnings base for the following reasons: Achieving a benefit liberalization through expansion of the taxable wage base results in larger benefit increases going to the higher wage earners—the very people who least need the added protection; the 33⅓ percent increase in the OASI tax rates which became effective January 1, 1954, precludes, we believe, any justification for a further 16⅔ percent increase in the OASI tax levy through expansion of the earnings base.

A third feature of H. R. 9366 which we believe carries serious implications is the proposal to "freeze" the OASI insured status of individuals during extended periods of disability. Not only would this proposal create extremely difficult administrative problems, since medical determinations would have to be made in all such cases, but it would also represent a major step toward transforming the OASI retirement program into a temporary disability insurance system, or carried far enough, into a program of socialized medicine. Furthermore, the purposes of this "freezing" proposal—protection of retirement benefits for persons disabled over a prolonged period—would be achieved in a large part by another provision of H. R. 9366 which permits the exclusion of a worker's 4 "low earnings" years in computing his OASI benefit amount. Thus, for periods up to 4 years, the exclusion of "low (or no) earnings" years provision would achieve the same result as the disability freeze without the necessity of medical examinations or the danger of its more serious ramifications.

We believe that the recommendations outlined above would eliminate the present shortcomings of H. R. 9366. We respectfully urge you to support modification of the bill along these lines.

Sincerely yours,

DONALD D. KEIM, *Manager.*

NATIONAL CATHOLIC WELFARE CONFERENCE,
Washington, D. C., July 8, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: I desire to express to the members of the Senate Finance Committee the opinion of the National Catholic Welfare Conference on the proposed extension of the old-age and survivors insurance program to include ministers of religion.

The language of H. R. 7199, which I understand is the principal bill under consideration by the committee would extend OASI coverage to ministers of religion under a plan which is almost identical with the method by which coverage was extended to lay employees of religious organizations through the Social Security Act amendments of 1950.

This method of coverage assumes that priests and ministers are employees. Such assumption is not in accord with the true nature of priestly functions and the manner in which they carry on their ministry.

With this thought in mind, and conscious of the fact that there is a desire on the part of many persons to have OASI coverage extended to ministers of religion, I respectfully suggest to the members of the committee that such coverage could be provided for these churchmen, at the same time respecting their ministerial character.

It is suggested that the members of the committee provide this desired coverage by treating ministers of religion as self-employed persons. Such extension of coverage could be provided with adequate protection for the stability of the system. For instance, a provision could be inserted stipulating that a minister of religion desiring coverage must indicate his desire to participate in the program within a specified period after the enactment of the amendments, or within

a specified period after he becomes eligible for the coverage provided by the proposed amendments.

If a minister of religion is regarded, solely for the purpose of the social-security law, as a self-employed person, he could elect to be covered by the old-age and survivors insurance provisions of the law, or not, as he chooses. Thus the program would be extended to all those desiring coverage. At the same time, the traditional American attitude toward the church and its ministers would be preserved.

This opinion is confined to the secular clergy as distinguished from that group of clergymen who are members of religious orders. Although religious orders are integral parts of the Catholic Church their members are subject to religious vows and as such are in a somewhat different category for the purpose of OASI coverage. The vow of poverty which they take excludes the acquisition of personal income and thereby renders them ineligible. It is therefore suggested that the present exclusion of this group be retained in any legislation reported by your committee.

Respectfully yours,

EUGENE J. BUTLER.

STATEMENT OF THE NATIONAL COUNCIL OF SALESMEN'S ORGANIZATIONS, INC., OF NEW YORK, N. Y.

The National Council of Salesmen's Organizations on whose behalf this statement is respectfully submitted is a nonprofit membership corporation duly organized under the laws of the State of New York and is the parent body of industry and local wholesale salesmen's associations throughout the country, representing a veritable cross section of American industry and commerce.

According to best estimates, there are today over 1 million wholesale, outside salesmen gainfully employed in the United States.

As the national voice of this large and important occupational group, the National Council of Salesmen's Organizations considers it a privilege to appear again before this great deliberative committee of our Congress and to urge that it act favorably upon pending legislation to extend social-security coverage and to increase benefits under the old-age and survivors insurance program.

This is not our first appearance before your committee. Several years ago, when revisions of the social-security law were being considered, the National Council of Salesmen's Organizations was extremely gratified that your committee accepted its recommendations to extend coverage under the social-security system to the salesmen of America who have been aptly termed the "frontline troops of American industry."

Again only during recent months in connection with your committee's consideration of the revision of the tax laws, the national council advocated the adoption of certain provisions relating to the treatment of business expenses by outside salesmen. We wish to take this opportunity to acknowledge to your committee and in particular to its distinguished chairman, the heartfelt appreciation of salesmen in all industries throughout the country who, under the recommended revisions contained in the omnibus tax bill reported favorably by your committee and passed by the House, will benefit from the elimination of some glaring inequities which previously existed in the tax treatment of their business expenses.

At this time, your committee is concerned with a thoroughgoing overhaul of the old-age and survivors insurance benefit structure. The National Council of Salesmen's Organizations is confident that your deliberation on this legislation will be characterized by the same earnest and intelligent effort to eliminate inequities which marked your approach to the revision of the tax laws.

President Eisenhower has correctly characterized the social-security system as "the cornerstone of the Government's programs to promote the economic security of the individual."

Designed to protect its citizens against the hazards which constitute insecurity—injury, chronic illness, premature death, and old age—nothing on the legislative horizon directly affects the individual American citizen more than does the consideration of the revision of the social-security laws by your committee.

As the national voice of wholesale salesmen, the National Council of Salesmen's Organizations wishes to be recorded as generally in favor of the adoption of H. R. 7199 which embodies the recommendations of the administration in pre-

serving, improving, and extending the American social-security system, and which is now being considered by this body.

However, national council earnestly recommends that in considering this important legislation your committee go a step further and eliminate entirely the retirement test for social-security beneficiaries between ages 65 and 75. We submit that the elimination of the earnings test for those between 65 and 75 would be in line with the progressive approach characterizing the present attempt to bring the social security insurance program up to date.

The specific proposals embodied in the present legislation which, among others, receive our commendation are those which will (1) provide increased social-security benefit payments; (2) improve the benefit credits of beneficiaries by using the "best 10 years method" as a basis for computing retirement benefits; (3) make secure the benefit rights of workers who have a substantial work record and who become totally disabled; (4) extend coverage to more than 10 million additional persons, and (5) elimination of the so-called retirement test for beneficiaries between the ages of 65 and 75.

(1) Provide increased social security benefit payments: There appears to be unanimous agreement in both parties and among all groups that there is an urgent need to revise the benefit computation provisions and to increase benefits in order to make benefit payments more realistic in terms of present-day price and wage levels.

Perhaps of all the gainfully employed groups in the country salesmen are most keenly aware of the consistent and relentless advance in living costs which has marked our economy during the past decade. The majority of outside wholesale salesmen are strictly commission men, dependent entirely on their commission earnings, paying their own expenses of travel, lodging, and other selling costs, entirely out of such commissions. These men are in the best position to testify to the need for adjusting social-security benefit payments to meet the increased cost of living.

It has been estimated that two-thirds of the over 5 million persons receiving old-age and survivors insurance payments have little or no other retirement income. Our organization's own survey among salesmen shows these statistics to be substantially accurate. There is, therefore, a crying need to increase social security payments for those who are beneficiaries and who must in large measure depend on their benefits to meet their living needs.

Again, speaking for salesmen in particular, we have found that the vast majority of wholesale salesmen are not included in employer or other pension plans. This points up the necessity of having social security benefits meet the realistic needs of those who have contributed to the system over a long period of time so that they will be in a position, at least in some measure, to confidently approach the hazards of old age and disability.

In this connection we earnestly recommend to your committee consideration of a provision in the present legislation which will provide for periodic review of security benefit payments to insure that they keep pace with increases in the cost of living, without the necessity of constantly returning to Congress for relief legislation in this regard.

(2) Improve the benefit credits of beneficiaries by using the "best 10 years method" as a basis for computing retirement benefits: As has been wisely pointed out, the trend in many private pension plans is away from using the lifetime average of computation of benefits and that many plans are adopting a more recent period, such as 5 or 10 years, as the basis for computing retirement benefits. Congress itself uses the best 5 years for computation of the civil service retirement benefit for old-age and survivors disability benefits.

We are heartily in accord with this thinking on the matter, and we recommend the adoption of the "best 10 years of earnings method" as the one most correctly reflecting the individual's current earnings experience near the time of his actual retirement. Benefits based on such earnings would provide a more realistic replacement of actual loss of current income. The present lifetime average is inequitable and unfair in that it is heavily weighted by the earnings in prior years, which are likely to have been much lower, and should be discarded.

(3) Make secure the benefit rights of workers who have a substantial work record and who become totally disabled: We heartily endorse and recommend the adoption of the provision in the bill now before you relating to the securing of benefit payments for those who have a substantial work record and who become totally disabled. Such provisions are not only humane but are definitely needed as part of a progressive social security system.

(4) Extend coverage to more than 10 million additional persons: The bill before you proposes to extend coverage to more than 10 million additional persons. As salesmen, social security coverage was extended to us only as recently as 1950. We are, therefore, in an advantageous position to judge the reaction of members of our trade and occupation, and we find that what little murmurings of opposition existed when coverage was first proposed have completely vanished, and there is now unanimous endorsement and appreciation of the intrinsic vale in terms of protection afforded by being included in the social security structure. We feel certain that our experience will be duplicated by the many groups who will be brought within the scope of the system.

(5) Elimination of the so-called retirement test for beneficiaries between the ages of 65 and 75: Until several years ago the retired worker was under the necessity of showing that he had not earned more than $50 in a given month if he was to qualify for that month's retirement benefits.

In 1952 this exemption was raised to $75.

Under the provisions of H. R. 9366, as passed by the House, the so-called retirement test is put on an annual basis for wages and self-employment earnings. The bill also provides an increase in the amount of earnings that individuals may have without loss of earnings. The annual exempt amount is $1,000. One month's benefit will be withheld for each $80 or fraction thereof earned in excess of $1,000.

Now while we recognize that this proposal is an improvement over the present earnings test provided for under the present law, we feel strongly that the measure does not go far enough and we respectfully submit that the retirement test should be eliminated in its entirety. In so doing we believe that beneficiaries of the social-security system who have contributed substantially over a period of time and who have reached the age of 65 should be permitted to draw benefits and to continue to work if their physical ability permits them to work.

We believe that the cost to the social-security program resulting from the elimination of the retirement test for those over 65 should be subordinated to the basic justice inherent in this proposal. It seems to us unfair and inequitable, as it must to millions of others who are potential beneficiaries under the social-security system, to permit the amount of unearned income to be disregarded in determining whether a person over 65 is entitled to draw benefits, and at the same time to require one who is employed, to lose benefits toward which he has contributed, if he shall earn a stipulated amount. We believe that when one reaches the age of 65 and is blessed with the ability to continue to labor, the Government should assist him so that he may gradually ease himself out of employment. The present theory would seem to be that a gainfully employed worker must sharply and suddenly curtail his active employment before he may draw benefits from the social-security program, which is, after all, an insurance program toward which he has contributed part of his earnings.

It has been suggested in correspondence, which we have had with the Federal Security Agency on this vital point, that a less costly provision than eliminating the retirement test would be to provide for those who continue in regular employment between the ages 65 and 75 (and do not, therefore, draw benefits) an increased amount when the benefit is due. While such provision does not in our opinion meet the issues squarely, we would consider it acceptable as a compromise only in the event that our recommendation for the complete elimination of the retirement test is not considered feasible at this time and if, coupled with such provision, is an increased liberalization of the retirement test so that a person between the ages of 65 and 75 would be allowed to earn $2,500 per year without losing the right to benefits. Such an amount is more realistic than the proposed $1,000 per annum test, and would enable the large numbers of workers and self-employed to continue on in their regular occupations with a view toward gradual retirement.

Certainly earning $2,500 per annum, which National Council proposes to your committee as a more reasonable retirement test, does not provide substantial employment or self-employment earnings, considering our present economic standards.

We consider the foregoing proposals to be abundantly more just and equitable than the $1,000-a-year formula now contained in H. R. 9366, and we earnestly recommend that your committee modify the proposed bill in that regard.

Respectfully submitted.

LOUIS A. CAPALDO,
President.
BENJAMIN SHAPIRO,
Chairman, Legislative Committee.
MITCHELL M. SHIPMAN,
General Counsel.

ASSOCIATIONS AFFILIATED TO AND COOPERATING WITH THE NATIONAL COUNCIL OF SALESMEN'S ORGANIZATIONS, INC.

Allied Textile Association
Amigos of Syracuse, Inc.
Associated Millinery Men of New York
Associated Millinery Men of Philadelphia
Boot & Shoe Travelers Association of New York, Inc.
Boys Apparel Salesmen's Club
Central States Hardware Club
Connecticut Paint Salesmen's Club, Inc.
Costume Jewelry Salesmen's Association, Inc.
Dress Salesmen's Association
Drug Salesmen's Association of Pennsylvania, Inc.
Empire State Furniture Manufacturers' Representatives, Inc.
Fabric Salesmen's Guild of New York
Fabric Salesmen's Association of Boston, Inc.
Fabric Salesmen's Club of Chicago
Food Products Salesmen's Association, Inc.
Furniture Manufacturers' Representatives of New York, Inc.
Furniture Manufacturers' Representatives of New Jersey, Inc.
Garment Salesmen's Guild
Handbag Supply Salesmen's Association, Inc.
Infants' & Children's Wear Salesmen's Guild, Inc.
Infants' Furniture Representatives Association of Greater New York
Luggage & Leather Goods Salesmen's Association of America, Inc.
Manufacturers' Representatives Association of Sporting Goods
Maryland Wholesale Furniture Salesmen's Association
Men's Apparel Guild of Wholesale Salesmen
Men's Apparel Club of New York City, Inc.
National Handbag & Accessories Salesmen's Association, Inc.
New England Corset and Brassiere Club
New England Negligee & Lingerie Association
New York Association of Hosiery Mill Salesmen
New York Candy Club
New York Corset Club
New York Paint Travelers, Inc.
New Jersey Paint Travelers Association
New York-Penn-Ohio Travelers Association, Inc.
Philadelphia Corset and Brassiere Club
Philadelphia Cosmetic Club
Philadelphia Manufacturers' Representatives Association
Philadelphia Textile Salesmen's Association
Philadelphia Wholesale Furniture Salesmen's Association
Philadelphia Save-the-Surface Paint Club
Professional Sales Club of New York
St. Louis Textile Club, Inc.
Sportswear Salesmen's Association, Inc.
Textile Veterans Association
The Salesmen's Association of the American Chemical Industry
Rocky Mountain Trade Association
Southern Travelers' Association, Inc.
The Far Western Travelers' Association, Inc.
The Piece Goods Salesmen's Association, Inc.
Toy Knights of America
Underwear-Negligee Associates, Inc.
Wash Frock Salesmen's Association, Inc.

WAYNE UNIVERSITY, BOARD OF EDUCATION,
Detroit, Mich., July 1, 1954.

In re H. R. 9366.
Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: The broadened coverage of old age and survivors' insurance provided by H. R. 9366 will benefit many public universities, but some may actually be adversely affected by the provisions of this bill as they now stand. Wayne University is in the latter category. The reason is this: Wayne University personnel are all members of the Detroit school employees retirement system, together with all of the employees of the Detroit board of education. In this special retirement system Wayne University personnel constitute only about 10 percent of the total membership. Although the university has substantial autonomy in many respects, the fact that the membership of the board of education retirement system is entirely within one political subdivision means that the university cannot be considered a separate retirement system for voting purposes.

H. R. 9366 recognizes that different employee groups may have various views on the desirability of inclusion within OASI, and therefore permits employees who are members of one retirement system to vote separately upon the question of coverage when they are employed by separate political subdivisions. The same reasons which permit voting by separate political subdivisions, when authorized by the State, also apply to universities which happen to be included in retirement systems of broader scope.

We believe that a simple additional clause would make this latter provision equally available where, by the accidents of organization, distinctly separate institutions are controlled by 1 governing board and included in 1 retirement system. This clause could be a paragraph added to those already proposed for amending section 218 (d) of the act which would follow the paragraph numbered (6) which ends on line 9, page 16, of H. R. 9366:

"(7) Any public college, university, or other institution of higher education shall, if the State so desires, be deemed to be a separate retirement system for purposes of the preceding paragraphs of this subsection."

This provision is a permissive one analogous to the discretion which is accorded to the State in the preceding paragraph (6) in connection with the employees of separate political subdivisions who are members of the same retirement system. The proposal was first submitted in a letter to Representative Reed from Prof. Mark Kahn of this university and appears on page 514 of the hearings on H. R. 7199 conducted by the House Ways and Means Committee. Thereafter, apparently too late to get consideration by the House committee, I wrote a letter for the university endorsing this proposal, and on May 11 the board of education of the city of Detroit formally added its approval to the request for this proposed amendment. I understand it is being supported before your committee by Russell I. Thackrey of the Association of Land-Grant Colleges and Universities and by Prof. Wilbert Huff of the University of Maryland. I believe I cannot overstress the importance of this paragraph to institutions such as ours. The availability of OASI coverage in most public universities will be a large factor in the holding and recruitment of faculty. Accordingly, universities unable to provide such coverage will find themselves under a very serious handicap.

It may be said that if all the employees of the retirement system want such coverage, the university would have it without this added paragraph, but the same objections might equally be made against permitting separate voting by employees of a single retirement system who are employed in different political subdivisions as provided by the paragraph (6) above referred to. The fact remains that for certain types of employees (i. e., school teachers, largely female and not anticipating permanent status in the labor market), OASI may not seem sufficiently important; however, to the present and prospective employees of the university who expect to make a life career out of teaching but who do not necessarily remain at one university, such coverage is of paramount importance.

In closing may I repeat for emphasis the closing sentences of the letter sent by Professor Kahn to Representative Reed:

"This paragraph would, in effect, make of an academic 'community' a political subdivision for purposes of the referendum. An institution of higher education

is a sufficiently composite group to minimize any danger from adverse selection, and a sufficiently distinct group to warrant separate consideration."

Sincerely yours,

ARTHUR NEEF,
Vice President and Provost.

NATIONAL INSTITUTE OF SOCIAL WELFARE, LOS ANGELES, CALIF.—AMENDMENTS TO THE PUBLIC-ASSISTANCE SECTION OF THE FEDERAL SOCIAL SECURITY ACT AS PROPOSED TO THE 1954 SESSION OF CONGRESS, DESIGNED TO EASE THE HARSHNESS OF THE MEANS TEST AS PRACTICED BY THE VARIOUS STATES AS IT RELATES PRIMARILY TO AID TO THE NEEDY AGED

1. That the present restrictive ceiling of Federal matching of funds be eliminated and a formula worked out to encourage States to grant larger aid payments.
2. That an increase of $10 be granted by Congress to the needy aged, blind, and physically handicapped as well as a proportionate increase for dependent children.
3. Prohibit the States from demanding liens against the real property of the applicant or recipient as a condition for receiving such aid.
4. Prohibit deductions as an occupancy value from the aid payments to a recipient home owner.
5. Prohibit States from using the public-assistance laws to force collections from relatives of aged recipients.
6. Where an otherwise eligible person does not meet the residence requirements of a State, the Federal Government will assume the entire aid payment until such residence has been established according to State law.
7. That needy aged recipients be granted the same privilege as the blind now have—the right to earn $50 a month without penalty of deduction.
8. That the value of any United States surplus food made available to those on public assistance be not deducted or taken out of the amount of aid payment for which the recipient would otherwise be eligible.
9. That the law which permits States to make public the names of recipients, commonly known as the Shame List Law be repealed.

GEORGE MCCLAIN, *Chairman.*

LOS ANGELES, CALIF., *February 23, 1954.*

PENNSYLVANIA STATE EDUCATION ASSOCIATION,
SCHUYLKILL COUNTY LOCAL BRANCH,
Schuylkill Haven, Pa., June 23, 1954.

Hon. JAMES H. DUFF,
United States Senate, Washington, D. C.

DEAR SENATOR DUFF: I have been advised that social-security hearings on H. R. 9366 are scheduled to begin on June 24 by the Senate Finance Committee. This letter is intended to convey impressions of teachers of Schuylkill County with respect to provisions of that bill as they concern the referendum phases.

It is my understanding that certain interests will urge the committee to delete the referendum provision thus permitting social-security coverage to be effected regardless of the wishes of the members of existing State or local retirement systems.

As a former Governor of Pennsylvania, you know quite well that our school employees' retirement system is superior in its provisions to any coverage by Federal social security that now exists in law. It would be most unfortunate if the teachers of Pennsylvania would be denied the referendum and would be compelled to ultimately accept a substitution of Federal social security for their own State retirement system.

As president of the Schuylkill County Local Branch of PSEA and one who has spent many years in State legislative activity, I urge you to use your influence when this matter comes to the floor of the Senate to retain the referendum and strengthen those provisions.

Very truly yours,

PAUL S. CHRISTMAN, *President.*

CITY OF FORT LAUDERDALE, FLORIDA,
June 23, 1954.

Hon. GEORGE A. SMATHERS,
The United States Senate,
Washington, D. C.

DEAR SIR: The purpose of this letter is to express the opinion of the city of Fort Lauderdale on the proposed extension of social-security coverage to municipal employees excluded under existing law.

It is our understanding that on June 1, 1954, the House of Representatives passed a bill to extend social-security coverage to municipal employees on an optional basis. Policemen and firemen are not included in this proposed extension. Representative Dwight L. Rogers informs us that the bill is now before the Senate.

At present, all employees of the city of Fort Lauderdale are covered by social security except the employees of the fire department. It was not possible to obtain coverage for the fire department because at the time coverage became available, the fire department already had a limited retirement program in operation.

Now the city is moving toward the adoption of a retirement program for all employees. It is our desire to include the fire department on the same basis as all other departments. But, inasmuch as social security is a definite factor in any program we develop, there is a very real problem on how to integrate the fire department into a program.

If the firemen were to discontinue their extremely limited program and join a program covering all employees, we still could not obtain social-security coverage for them. If their existing program is continued, it is going to be extremely difficult, if not impossible, to provide benefits to the firemen which will be similar to those available to other employees.

If the city were able to obtain social-security coverage for the firemen, we would not have this problem. Therefore, the city of Fort Lauderdale is definitely in favor of making social-security coverage available to firemen as well as other municipal employees. We do not approve of the action the House of Representatives has taken to exclude firemen from the proposed extension of coverage.

Any steps you may be able to take to have firemen included instead of excluded from the proposed extension will be sincerely appreciated.

Very truly yours,

C. MALCOLM CARLISLE,
Mayor.

OFFICE OF ARKANSAS STATE WELFARE COMMITTEE,
Hot Springs National Park, Ark., June 29, 1954.

Hon. EUGENE D. MILLIKIN,
Senator, Chairman, Social Security Hearing Committee,
Washington, D. C.

DEAR SENATOR MILLIKIN: The call for this hearing has just come to our notice. Now, after considerable debate upon the question of having representat.on before your committee by a member of our State committee, we felt that, inasmuch as your hearing is already in full session, it might prove too late to ask for the privilege of sending one member to represent our vast membership right from the field where we get the "lowdown" upon just what is needed, not only to provide the most vital necessaries for a continuation of normal living, yet equalize the economy, through a method of putting this pension system upon a pay-as-you-go basis, and setting up a tax to cover at the mill-mine-factory processing plant and farm. Have Treasury Department collect same monthly, after deducting administration expenses, divide the remainder by the number as listed retired, blind, totally incapacitated, and widows with children under age.

Now, this method will at all times guarantee a healthy economy that will endure. Due to the rise and fall of business conditions, it will at all times assure retired workers that they will enjoy full benefits in recession, depression, or lush economy times when we might enjoy inflated prices, yet at the end of each month we will not have borrowed to meet the payroll but will enjoy a balanced budget.

Now, as you Senators well know, during other attempts to revise social security upward, too much thought was registered based upon ulterior motives and not enough on the vital point of providing completely for those honorable pioneers

that laid the groundwork for a greater America. After that plan was ready, they rolled up their sleeves and for the most part dug roads out of the hills of Arkansas with their bare hands. Bulldozers and steam shovels, trucks, cement mixers, and all modern tools were unknown during the days that they gave so freely of their time and strength helping to build a greater democracy, with the result that you men today are sitting in the Capitol at Washington, D. C., dictating your own salaries, so we here at home feel at ease, knowing full well that when the economy in Washington rises you, without asking us, consider your cry for more money, permitting you honorable men to continue to eat and sleep in regular fashion.

Now, we here at home sense the broad range of your privileges; we here upon the ground know very keenly that you belong to us and therefore should be more than willing to enact laws requested by us, especially in this case, as this bill is revised properly so it will serve this universal purpose that it has been designed for. Then you will have passed the legislation that American citizens have been clamoring for since the Pilgrims landed at Plymouth, Mass., in the year 1621: by one stroke of the pen you will have established continuous prosperity by increasing purchasing power to its full capacity, creating many new jobs for the younger generation, and at the same time placing the honor upon them—the old folk.

Now, we see through the lines that many House Members have submitted to party lines, instead of rising up and demanding rightful representation to their constituents back home; they sat idly by because the head dictator says $5 added to their monthly checks is aplenty. Well, our committee members here see two bad results in case there is no one sitting in your committee who, regardless of whatever censure that may be directed against his action, will introduce an amendment to this present bill H. R. 9366 raising the lowest bracket up to $100 per month and the next higher bracket to $1, and so on. We here wish to give your committee our views about where ike put this bill; remember, this is a universal bill and applies to all citizens, and as you pass the building that houses our Supreme Court Justices in Washington you will note that high above the entrance, etched into stone, reading "All Citizens Equal Under the Law." Now, all citizens come under this act. Class legislation is now out of social security. So, unless your committee acts accordingly, you no doubt will find yourselves facing the greatest disaster ever to befall man because, after 18 years of untold suffering by the old folk, not including those who have been laid off for all time, due to the fact that Congress had passed a social security law that alone deliberately separated thousands of able-bodied men from a right to earn a livelihood for himself and his loved ones. Now, in passing that law, they failed completely to provide the workers with the same income that Congress made possible for their separation as few quit of their own accord. Sorry to say our committee holds your body responsible for that condition, and if this bill H. R. 9366 is passed in its present form, then that result will bring forth repercussions that will once again ring the bells of liberty that will resound into the remotest places where United States citizens live. They are well aware of its shortcomings and we feel sure that "blindness for your well-being" has failed to overtake most Congressmen, so we request that you act with your full wisdom, as our dear Lord, we know, has favored you with a wide range of that spirit, so apply it freely.

ARKANSAS STATE WELFARE COMMITTEE,
GLENN HERR, *Secretary*.
JOHN L. FRAZIER, *President*.
AMIEL HINES, *Vice President*.

MIDDLESEX COUNTY EMPLOYEES' ASSOCIATION,
Cambridge, Mass., June 30, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Members of the Senate Finance Committee,
Washington, D. C.

DEAR SIR AND MEMBERS: The Middlesex County Employees' Association requests that it be recorded as supporting the position of the joint committee of public employees in regard to H. R. 9366.

We believe that all employees of a retirement group should understand what they are voting for and more particularly that two-thirds of the eligible members must vote favorably for an inclusion.

The above is our chief concern, although we wish to be recorded in support of the other petitions and recommendations of the joint committee of public employees concerning the proposed law.

Respectfully yours,

EMIL W. LUNDGREN, *President.*

LOS ANGELES COUNTY EMPLOYEES ASSOCIATION, INC.,
Los Angeles, Calif., July 2, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR: In reference to H. R. 9366 as it pertains to State and local employees who are covered by a retirement system, we are opposed to any change of section 218-D of the Social Security Act.

As you know, public employees demanded that section 218 D be included in the Social Security Act.

As first vice president of the Los Angeles County Employees Association, and a board member of the Los Angeles County Employees Retirement Association, representing over 28,000 county employees, the writer, as one of this group, has a very vital interest in our retirement system. We feel that the benefits under our retirement system are greater than the benefits we would ever obtain under social security and some type of retirement system, by integrating with social security.

We contribute very heavily toward our retirement system, of which we are proud. We feel that we are paying our own way for our retirement benefits; that it is to the best interests of the taxpayers for Los Angeles County to have an adequate retirement system by retaining career-service employees.

We have over $80 million in a reserve fund, which is invested in bonds at an interest rate of 3 percent or better. In our opinion, it is to our definite advantage to have our retirement system controlled at home, rather than controlled in Congress and giving Congress a blank check to increase the contributions any time they see fit.

We are simply asking for the same protection that is now afforded Federal employees. In the past few months Congress has increased Federal retirement benefits for its own Members, and also its own employees.

While in Washington the week of April 4, 1954, the writer spoke with a number of our Congressmen from California, and asked them if they were anticipating going under social security themselves or placing their employees under social security. Each and every one of them said, "No; we are not anticipating any such action."

However, if you feel that it is necessary that you support H. R. 9366 as it is an administration bill, we request you to amend said bill to the effect that—

(1) Two-thirds of the eligible members must vote, and two-thirds of those voting, vote for inclusion of social security.

(2) The determination of definitions of coverage group by the State legislature.

Sincerely yours,

WILLIAM T. COBB, *First Vice President.*

STATEMENT BY MISSOURI STATE CHAMBER OF COMMERCE, JEFFERSON CITY, MO.

Missouri State Chamber of Commerce social-security policies as developed by social-legislation committee study and approval of the representative board of directors are basically in agreement with the policies of the Chamber of Commerce of the United States and the Council of State Chambers of Commerce; therefore, this statement is supplementary to the testimony of these two organizations. However, because of the close connection of old-age and survivors insurance to old-age assistance and the major role which old-age assistance plays in the finances of the State of Missouri, amounting to almost one-third of the State expenditures in recent years, it seems appropriate for Missouri to make an additional statement.

EXTENSION OF OASI COVERAGE

OASI benefits should be substituted for old-age assistance grants

Basic old-age and survivors insurance benefits should be paid to all of today's retired aged which will permit the Federal Government to discontinue the grants to the States for old-age assistance.

Old-age-assistance grants accounted for almost half of the Federal grants to the States in the fiscal year 1952 for programs which the Hoover Commission task force said should be a State responsibility—in the case of Missouri it was more than half or $46.6 million out of $77.6 million.

Would make State assistance problem manageable

Extension of basic Federal old-age insurance benefits to persons now largely dependent on State old-age assistance payments would permit the States to bring under control a program which now threatens to bankrupt many States, including Missouri.

Old-age assistance payments now account for almost one-third of the Missouri State budget and there is no end in sight except through Federal action. The Missouri State Legislature has consistently upped old-age assistance payments to get the maximum Federal grant. It has just as consistently refused to apply the restrictions, such as lien and recovery and family responsibility provisions, that many other States have enacted. In fact, listening to the debate in the Missouri General Assembly gives the impression that the average State legislator would, if Federal law would permit, completely eliminate any need or means tests for old-age assistance and give everyone a luxurious "pension" upon reaching the "magic" age of 65.

H. R. 9366 not broad enough

The extension of OASI coverage to 10 million additional people who are not now covered as proposed in H. R. 9366, but who have not yet retired, is a step in the right direction. However, while this might permit progressive reduction in Federal grants, it would not provide an immediate answer for the States whose old-age assistance programs threaten to get completely out of hand. Paradoxically included in this extension are some professions, such as lawyers, who have little need for coverage while it is still denied to those most in need—that is the present retired aged who have no covered employment record.

The proposals of Representative Carl T. Curtis in H. R. 6863 provides a much better answer for this State problem. The Curtis bill would "blanket" in approximately 5 million more of the Nation's now retired aged in addition to the 10 million of those not yet retired to whom the President proposes to extend coverage. The Curtis bill would provide a minimum OASI benefit of $45 to this 5 million of the presently retired who cannot now qualify for such benefits. Since the average old-age assistance payment among the States and in Missouri is around $50 per month the Curtis proposal would largely relieve the States of their old-age problem. This in turn would permit the States to provide more adequate care for the remaining needy.

CITY OF EAU CLAIRE, WIS.,
June 22, 1954.

Hon. ALEXANDER WILEY,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR WILEY: The city administration of Eau Claire has been carefully following the progress of the bill now pending in the Senate increasing the maximum base of OASI from $3,600 to $4,200. It is our information that if this bill is enacted into law that it would be effective as of January 1, 1955, a requirement being however, that 6 quarters from that date would have to elapse before full coverage would apply.

This city has perhaps a dozen men who have attained the age of 65, or will do so before January 1, 1955. Obviously such employees would postpone the date of their retirement for the subsequent six quarters to come under the increased benefits, but if back contribution could be made from the State retirement fund, both by the employee and the employer, most of these men would retire forthwith after January 1.

We do not believe that any other cities would object, as it would cost them no extra money, and in some cases it would make it possible to retire certain men that the administration would like to retire, and who should retire. One of the purposes of OASI is to enable employees to retire at 65 and make room for younger men.

If such a program could not be worked out, the employee would, by staying on, slightly increase his retirement benefits under the State retirement act, which, of course, means that the city during the additional six quarters would make further contributions. On the other hand, if the act could be made retroactive, as was done when Wisconsin employees came within the provisions of the act, the city would be through contributing for such employees. In any event only a comparatively few employees would be affected.

The only additional cost to the Federal Government would be the loss of the 2 percent on the additional $600 (the difference between $3,600 and $4,200) for the 18-month period, which would amount to $18, surely a nominal sum in comparison to the great benefits that would be enjoyed by such retiring employees. It is true that if the employee continued for 6 quarters after January 1, 1955, he would, during that period, pay an additional $126 to the Government (2 percent on $6,300), but had the increased base been in effect 18 months prior to January 1, 1955, the difference in the employee's contribution would be 2 percent on $900, or $18.

We appreciate that you perhaps do not have under your immediate consideration the exact details of this bill, but it would be much appreciated if you could contact the chairman or members of the committee having the bill in charge and communicate our thinking in this matter.

Very truly yours,

DAVID F. NORDSTROM, *City Attorney.*

STEINER-LOBMAN DRY GOODS CO.,
Montgomery, Ala., June 18, 1954.

Hon. JOHN SPARKMAN,
Senate Office Building,
Washington, D. C.

DEAR JOHN: We are enclosing herewith two articles copied from the Wall Street Journal which we believe you will find of interest, if you have not already had this matter called to your attention.

While we are not opposed to social security, we do believe there is a limit on which this is economically sound, and we feel that this limit has already been reached.

We may be wrong, but the writer believes that the matter of social security is even tied up with international affairs. When we get our expenses to business so high, thereby raising the prices of everything we have to sell, we necessarily lose our competitive position with other nations in foreign trade, and, therefore, as is self-evident, lose a great deal of this trade to other nations.

We have reason to believe that the big corporations are not entirely averse to the increase in social security. Their labor contracts for retirement are all tied in with social security. We have seen several reports of negotiations with labor unions; the most recent of which is the pending negotiations with the steelworkers showing that as social security rises the outlay for retirement decreases. Just to use a fictitious figure; retirement for a unionman at $125 per month, where social security is $75, takes $50 from the corporation. Whereas, if social security is increased to say $90, it means that the corporation only pays out $35.

There are many other reasons for feeling that the limit of social security has been reached with the present law, which we feel sure you are acquainted with, as well as ourselves, and, therefore, I am not going into it at this time.

We want to call these facts to your attention and sincerely trust that you will give them your serious consideration and that you will find you are in a position to oppose them when they come upon the floor or before any committees that you might happen to be on relating to this matter.

Very truly yours,

MYRON LOBMAN, *President.*

[From the Wall Street Journal, May 26, 1954]

HOUSE UNIT VOTES HEFTY INCREASES IN SOCIAL SECURITY TAXES AFTER 1970

WASHINGTON.—The House Ways and Means Committee voted some hefty increases in Federal social security taxes for 1970 and later years.

The committee, which completed its first-round voting on the administration's social security bill, went even further than the administration had recommended in boosting the present tax rate schedule.

Under present law, the employer and employee each pay 2 percent social security tax on the first $3,600 of annual earnings. This 2-percent rate stays in effect through 1959, although under the pending bill the tax would be collected starting next year on the first $4,200 of annual earnings.

Present law provides that the rate goes up to 2½ percent each for 1960 through 1964, rises to 3 percent each from 1965 through 1969, and is levied at 3¼ percent each from 1970 on. The administration had proposed to keep this rate schedule through 1969, but to increase the rate for 1970 and later years to 3½ percent each. The committee voted to make the rate 3½ percent each from 1970 through 1974, but to boost the rate to 4 percent each for 1975 and later years.

[From the editorial page of the Wall Street Journal, May 27, 1954]

The administration's social-security proposals include some long-range tax planning, but not enough to suit the House Ways and Means Committee. It has voted to increase the administration's recommended rates and define more precisely their effective years—through and beyond 1975.

Present law envisions a gradual rise from the existing 2 percent tax rate to a 3¼ percent rate beginning in 1970. The administration suggested a 3½ percent rate beginning in 1970. But the House group decided the rate should be 3½ percent from 1970 through 1974 and 4 percent from 1975 on. Incidentally, that's quite a tax bite even on the current base of the first $3,600 of income; it will be still more painful if the proposal to expand the base to $4,200 is approved.

The multiplicity of views regarding what the tax rates should be 15 or 20 years from now strongly suggests that nobody knows—that it is probably impossible to determine what exact rates will be appropriate to meet social-security commitments that far in advance and keep the program "actuarially sound."

"Actuarial soundness" is a resonant, important-sounding phrase that invariably crops up in discussions of social security. The committee's vote to increase and refine the administration's proposals was based on a desire to improve the actuarial soundness of the social security trust fund. But, as sometimes used, the phrase is misleading.

The guardians of the program should, of course, try to figure out how much they might have to be paying out and, consequently, how much they should have on hand in future years, and if they err they should err on the side of having too much on hand. That is actuarially sound.

What has to be recognized, though, is that such calculations verge on the mystical. They can be upset by innumerable developments unforeseen by the calculators. That is the history of the social-security fund to date. Unforeseeably great increases in general income levels, among other causes, have built a bigger fund sooner and at lower tax rates than expected when the program was started in the thirties.

The projection of desirable reserves and probable outgo a score of years hence is therefore a very rough yardstick at best. It is not precise enough to form the basis of precise tax rates, down to the last quarter of 1 percent, throughout each of those distant years.

Long-range planning of any kind is a precarious occupation. In this case the distinguished members of the House committee have made it a futile occupation as well.

NATIONAL CONFERENCE OF POLICE ASSOCIATIONS,
Washington, D. C., June 30, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: With reference to the statement made by Mr. Henry L. Bridges, State auditor and exofficio chairman of the Law Enforcement Officers' Benefit and Retirement Fund of North Carolina, before your committee, Monday, June 28, 1954, relative to social security:

It will be noted that policemen in North Carolina have available to them coverage under the State system with a 5-percent contribution and 20 years of service. This would seem to be a most desirable system and we cannot understand why all policemen do not participate.

It appears that Mr. Bridges represents only elected law enforcement officers or those holding supervisory positions. He does not represent all policemen in the State of North Carolina. Mr. Bridges states that policemen in North Carolina desire to be put under social security. We question this statement because we feel that he does not represent all policemen. He is not a policeman, therefore, it is felt that he does not have the policeman's point of view.

Mr. Bridges says there are a large group of policemen who have no coverage. We submit that they have coverage available—they have only to request it.

We respectfully request that this letter be included in my statement before your committee on the subject of social security. The National Conference of Police Associations represents approximately 100,000 policemen in the United States, and respectfully request that our position as stated in my statement be granted.

Respectfully yours,

ROYCE L. GIVENS, *Secretary-Treasurer.*

MEMORANDUM RE H. R. 9366 SUBMITTED BY THE HEALTH AND ACCIDENT UNDERWRITERS CONFERENCE

The Health and Accident Underwriters Conference is an association of more than 200 insurance companies selling disability insurance underwritten on either a group or individual basis.

The membership is comprised 60 percent of companies that provide life insurance in addition to accident and health insurance. Most of the remaining companies provide other forms of casualty insurance besides accident and health. Together these companies provide policies for more than half of the 30 million Americans with individual accident and sickness coverage.

We wish, therefore, to confine our remarks to two features of the bill. From the collective experience of our companies, we wish to comment on one feature specifically and another generally—both we feel to be basically unsound.

DISABILITY MEDICAL ADJUDICATION—SECTION 106

Drawing on the somewhat similar experience of our companies that have dealt with problems surrounding determination of disability in the payment of such benefits to policyholders, we feel this proposal would be difficult to administer. It would add unjustified operating expense. Because of the varying interpretations that can honestly be placed on the nature and extent of disability, from both a medical and lay point of view, we feel the proposal, if enacted, would result in disagreements between administering officials and persons affected under the terms of the provision. It would be an unsound departure from present legislation which does not call for consideration of medical or other issues that cannot be settled accurately and objectively.

We feel the aim of ameliorating the hardships of those totally disabled is desirable. But we feel the above-mentioned proposal is superfluous. An application of the "dropout" feature as currently contained in H. R. 9366 (or possibly even lengthened to some degree) would serve the purpose more efficiently and without the above-mentioned shortcomings.

WAGE BASE INCREASE

The purpose of social security should be the provision of basic protection. The proposal to raise the annual tax and benefit base from $3,600 to $4,200 is not consistent with this purpose. The increase would discourage the acquisition of additional voluntary protection. Extra benefits would go chiefly to those people best able to purchase additional security on a voluntary basis.

A range of benefits sufficiently great (and larger than ever before) can be provided without an increase in the $3,600 base. It is possible that an increase will be needed in the future, but certainly it is not called for now.

There is no need to take into account higher than average earnings in determining benefits. Such a course would foster a national pension plan rather than a basic floor of protection. We, therefore, believe the wage base should not be changed.

CONCLUSION

We believe that simplicity of provisions and operation are to be strived for. Public understanding and sympathy for any measure of government is directly related thereto.

The purpose of social security should be to provide a minimum benefit level on which the individual can build an adequate program for retirement benefits. If our economy is to remain one of private enterprise and our society to continue to enjoy the traditional advantages of a democratic system of government, our social-benefits program must be geared to furnishing a basic floor of protection against want.

We do believe that these objectives will be frustrated by the inclusion of the above-discussed proposals—the injection of medical determinations into OASI and the increase in the wage base.

Respectfully submitted.

JOHN P. HANNA, *Managing Director.*

CALIFORNIA STATE BOARD OF AGRICULTURE,
Sacramento.

RESOLUTION RE CANCELLATION OF SOCIAL SECURITY BENEFITS FOR PERSONS ILLEGALLY IN THE UNITED STATES

It was regularly moved by John Newman, seconded by Milton Reiman, and carried unanimously that the following resolution be adopted by the State board of agriculture, meeting at Sacramento, Calif., on June 21, 1954:

"Whereas the agricultural industry of California is directly concerned with the recruitment and proper placement of workers in agriculture to the end that there may be maximum employment of American citizens in farm and related work; and

"Whereas one way of providing greater employment opportunities for American citizens is in revision of the United States Social Security Act and regulations so that illegal entrants into the United States may not receive social security cards or social security benefits; and

"Whereas there is, furthermore, immediate need to cancel and withdraw all social security cards issued to such illegal entrants so that they may not obtain benefits under the Social Security Act; Now, therefore, be it

"*Resolved*, That the California State Board of Agriculture, meeting at Sacramento, Calif., June 21, 1954, requests the cooperation of the California delegation in the Congress to support revisions to the Federal Social Security Act and regulations issued under it so that illegal entrants to the United States, whether engaged in industrial, agricultural or other work, may not receive social security cards; that social security cards issued to such individuals be canceled; and that there be constant and faithful enforcement of such restrictions in all fields of employment in the State and Nation where persons illegally in the country are presently at work; and be it further

"*Resolved*, That copies of this resolution be sent to members of the California delegation in the Congress."

ROMAIN YOUNG, *Assistant Secretary.*

UNITED STATES SENATE,
COMMITTEE ON ARMED SERVICES,
July 1, 1954.

Hon. EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: In the consideration now being given by the Senate Finance Committee to H. R. 9366, we in Missouri are interested in the elimination of the termination date for the special provisions which relate to the State aid to the blind programs and hope that an amendment will be inserted eliminating the June 30, 1957, date in the bill as passed by the House.

Missouri has had a liberal and most beneficial blind pension law since 1921, under which blind pensioners receive a stated sum each month. Funds to finance Missouri's share of the cost of this program are secured from the general property tax of 3 cents on each $100 assed valuation.

The postponement of the termination date every 2 years by periodic amendment of subsection (b), section 344, Public Law 734, as proposed in H. R. 9366, is a continual threat that Federal participation will be withdrawn. This provision affects only the States of Pennsylvania and Missouri which have maintained a more liberal aid to the blind program than the rest of the States.

I hope that the Senate committee will recommend a repeal of subsection (b), thus making the provision of subsection (a), section 344, of Public Law 734 permanent by deleting the terminal date of this provision.

As I understand it, this means no additional cost whatever to the Federal Government but permits the States of Missouri and Pennsylvania to continue their long-established aid to the blind programs without penalty.

Sincerely,

STUART SYMINGTON.

UNITED STATES SENATE,
COMMITTEE ON ARMED SERVICES,
July 1, 1954.

Hon. EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: Mr. Proctor N. Carter, director of welfare in the State of Missouri has called our attention to the seriousness of a recommendation by Mrs. Oveta Culp Hobby.

Mr. Carter has written me as follows:

"Mr. Hobby proposed a change in the percentage of Federal matching funds for those old-age assistance cases that also receive old-age and survivors insurance payments.

"The proposal would change the Federal matching basis from the present four-fifths of the first $25 of average payment and one-half of the balance within the statutory maximum of $55, to a straight 50–50 basis.

"On page 61 of Mrs. Hobby's statement, which was filed with the committee, she has the following to say in regard to her recommendation for a change in the Federal matching formula:

"'Under the present old-age assistance matching formula the general revenues of the Federal Government matched the States on a 50–50 basis on that part of old-age assistance payments which exceeds $25 up to the maximum of $55. If the present OASI bill is passed increasing benefits and making coverage virtually universal, it would seem reasonable in those old-age assistance cases where the individual is receiving a Federal OASI benefit that matching of any supplementary payment from the general revenues of the Federal Government be at the 50–50 rate rather than at the higher rates applicable to the first $25 of an old-age assistance payment.

"'The combined effect of the improvements in OASI and this proposal on old-age assistance supplementary payments would be a net saving for the States as well as for the general revenues of the Federal Government.'

"The assertion that this proposal would be a net savings to the States is contradictory to the facts so far as Missouri is concerned. At the present time we have approximately 25,000 old-age assistance recipients who also receive old-age and survivors insurance payments. The average old-age assistance payment in this group of cases is $41 per month. At the present time the Federal Government pays $28 of the average monthly payment with the balance paid from State funds. If the proposed change in the formula is put into effect the Federal Government would pay on a 50–50 basis, or would provide $20.50 of the average

payment of $41 per month and the State would pay the remaining half of the payment. In other words, Missouri would stand to lose $7.50 per case, per month, for all concurrent OAA–OASI beneficiaries. This would amount to a loss in State funds of approximately $188,000 per month, or $2,256,000 per year.

"I feel that the change in the Federal matching formula which is recommended by the Department of Health, Education, and Welfare is wholly unwarranted and if enacted into law might conceivably cause a reduction in the old-age assistance payment to this group of recipients because of insufficient State funds.

"Because this proposed change in the Federal matching formula would not accomplish the purported objectives of reducing State and Federal assistance costs, but would increase costs in Missouri to the extent of approximately $2¼ million per year, I respectfully urge you to protest to the Senate Finance Committee this recommended change in H. R. 9366."

Consideration of these facts as presented would be deeply appreciated.

Sincerely yours,

STUART SYMINGTON.

BROOKLYN 21, N. Y., *July 6, 1954*.

CHAIRMAN,
Senate Committee on OASI.

DEAR SIR: We are 4 dentists—2 fathers and 2 sons—practicing in 1 office and would like to give you our views on inclusion of dentists in OASI.

We just received the July number of the American Dental Association dental journal and we note with disfavor that the American Dental Association is still against the plan.

We do not know where they get their notion that dentists as a whole are against it. The poll they claim to have taken (49 percent for and 51 percent against) is very erroneous. Every seventh dentist was polled.

I am enclosing herewith an item from the June number of Oral Hygiene—a magazine which comes much closer to the average dentist than the A. D. A. Journal, and they report that the Chicago Dental Society of 3,450 members voted 1,295 for, 271 against, 11 invalid. That to us, is more like the general attitude of the average dentist.

In our opinion the A. D. A. officers live in an ivy tower and are completely out of touch with the general practitioner.

We feel confident and urge you respectfully, to include dentists in this plan.

(Signed) A. M. HUTCHINSON, D. D. S.

P. S. I am enclosing herewith a letter written by a dentist to the editor of the New York University Journal of Dentistry; please read it.

Thanking you for your consideration, we are,

Respectfully,

A. M. HUTCHINSON, D. D. S.
A. N. SPITZ, D. D. S.
S. M. HUTCHINSON, D. D. S.
H. SPITZ, D. D. S.

[From Oral Hygiene, June 1954]

SOCIAL SECURITY POLL CONDUCTED BY CHICAGO DENTAL SOCIETY

In a poll through the mail conducted by the Chicago Dental Society, a response of 1,577 from a total membership of 3,450 was obtained; 1,295 voted for social security; 271 voted against it; 11 replies were invalid.

[From the New York University Journal of Dentistry, June 1954]

APRIL 21, 1954.

EDITOR,
New York University Journal of Dentistry.

DEAR DR. LACHNICHT: I wish to take exception to the article "The OASI and the Dentist" written by Dr. Arthur H. Menett, April 1954, Journal of Dentistry, N. Y. U.

I have taken pains to write to Department of Health, Education, and Welfare, Region II, 42 Broadway, New York 4, N. Y., and I have received the following information:

"It is quite apparent that the article from the March issue of the New York State Dental Journal which you enclosed with your letter does not give the complete story regarding OASI. The writer refers only to old-age aspects of the program and neglects almost entirely the very important survivors provisions of the law. Under the survivorship provisions of the law, benefits are payable to children under age of 18 and to the mother who has a child under 18 years in her care.

"Where benefits are based upon maximum salary (as present $3,600), a widow and two children receive $168.75 per month, which is maximum payable to a family. A widow and one child receives $127.60. Thus, where the insured person dies leaving very young children, payments to a family under these provisions alone may amount to more than $30,000. This is in addition to the payments that the widow would receive at age 65.

"Regarding the retirement provisions of the law, it should be pointed out that the present rate of contribution for a self-employed individual is 3 percent. On a maximum taxable income of $3,600 this amounts to $108 rather than $175 referred to in the article. The higher rate of payment is not scheduled to be reached until 1970. Even if the present rate was $175, the actual value of the benefits acquired still exceeds the contributions paid. The actuarial value of an $85 payment to an individual at 65 is approximately $14,000. In addition, the actuarial value of the payment of $42.50 to a wife is approximately $7,500. These amounts do not take into account proposed increases in benefits which are now pending before Congress.

"I would also like to comment on one further statement made by the writer in his article. He states 'Neither can future generations who will have no voice in making the law.' Of course, the Social Security Act is enacted by Congress. It is a basic assumption of our democratic Government that acts of Congress take into account the needs and desires of persons affected by the law. This can be easily demonstrated by the fact that the present exclusions of dentists is based upon testimony by dental societies at hearings regarding past amendments to this social security law. I feel quite confident that Congress will amend the social security law to include dentists only if they feel that this is in accord with the desires of the majority of the members of your profession."

(Signed) JOSEPH J. TIGHE,
Regional Representative, Bureau of OASI.

I am a member in good standing of the Alumni Association of New York University and also American Dental Association.

I have letters in my possession from dentists throughout the country asking for OASI for dentists. These are in response to an article I had printed in March 1954 issue of Dental Survey.

Hundreds of dentists speaking for representative groups have signified favorable response and not one letter has been against it.

Why doesn't the ADA poll the dentists and get a true picture of their wants?

Sincerely,

DR. JOSEPH KAHM,
Brooklyn 35, N. Y.

ATLANTA, GA., *July 6, 1954.*

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building:

Understand H. R. 9366 (social security) is before Senate Finance Committee for public hearing. Georgia Veterinary Medical Association members against being included in bill. Prefer to be excluded as physicians on same grounds. Urgently request your support in excluding veterinarians as now classed.

GEORGIA VETERINARIANS MEDICAL ASSOCIATION,
CHARLES L. WILLIAMS, *President.*
CHARLES C. RIFE, *Secretary.*

NATIONAL LICENSED BEVERAGE ASSOCIATION,
Cincinnati, Ohio, July 6, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: Would you please consider this letter in conection with the current hearings on H. R. 9366, amending the social-security law? It is respectfully requested that this letter be made a part of the record in those hearings.

I am informed that certain witnesses before the committee have urged an amendment to the present definition of "wages" so as to include tips within that category.

On behalf of the membership of the National Licensed Beverage Association, of which I am president, I urge that the present definition be left as it is. We are opposed to the inclusion of tips within the definition of "wages."

When the proposition of including tips as wages was first considered by our membership, the first reaction to it was that it was of no consequence because our employees will not report their tips, and our liability as to the employment taxes will not be increased. However, upon reflection, it appears to us to create a dangerous situation.

One of the enforcement problems of the Bureau of Internal Revenue has been the securing of accurate reporting of tips as income. That has not been the responsibility of the employer, although in most instances employers have gone out of their way to urge accurate reporting and, where the amount is known, have reported the same. In spite of these activities on the part of employers, it is common knowledge that this is one of the loopholes in enforcement. Under the present situation, it cannot be said that an employer can benefit by faulty reporting of the employee. However, if the definition of wages is amended to include tips, there will be a certain tax advantage to the employer whose employees fail to report their income accurately. We do not believe we should be placed in this defensive position. It is only logical that the next step in enforcement would be to place the employer in a position of responsibility for such reporting.

The increase in tax by reasons of such amendment would do a serious disservice not only to business but also to labor. Restaurants and taverns depend upon serving large numbers of customers (some 60 million daily) at a small profit rather than small numbers at a high profit. Surveys show that the average net profit of the Nation's restaurants range between 2½ and 3 percent and also that the present trend is downward. There is at this time a high rate of business mortality in this industry.

To stay in business, restauranteurs must now watch their costs very closely in order to survive, and even minor increases in expense may throw many operations from the black side of the ledger to the red. The average restaurant with a high efficiency rating and an effective cost-control system has a 56 percent food and beverage cost and the average wage cost in such operation is 26 percent, which leaves only 15 percent for rent, repairs, replacements, laundry, maintenance, insurance, taxes, advertising, and other operating costs. What is left is the 3-percent profit I mentioned before. The most recent Dun & Bradstreet report on this industry indicates that net profit before taxes amounts to only 2½ percent. If our costs are raised by additional taxes on wages, the only method of reimbursement to the restaurateur is to raise menu prices substantially. This, of course, is not a solution to decreasing revenues because all over the country we are trying to lower menu prices so as to attract new customers and keep the ones we have.

The increase in operating costs would be a disservice to labor: First, in the increased cost of food which they buy in restaurants; and second, in many instances the loss of their means of employment through layoffs and closures caused by failure. When their employers are operating on such a narrow margin of profit, the security of their jobs depends upon the maintenance of that margin. Such employees are generally classed as unskilled or semiskilled labor and their opportunities for seeking other employment is extremely limited. Our operating costs now include the social-security taxes, unemployment compensation, workmen's compensation, and in many operations, group hospitalization, labor unions' welfare funds, and the increased bookkeeping expense incurred by reason of such taxes. For that reason, we ask that no change in definition be made so that we will continue to administer the tax collection for those whom we actually employ and that our base for employment taxes be limited to those amounts which we actually pay as remuneration for services rendered.

An amendment to the definition of "wages" to include tips would create the anomalous situation wherein the employee would select a tax base upon which the employer is taxed. On behalf of the proprietors of restaurants and taverns who are the employers of the waiters, waitresses, and bartenders who receive tips, we respectfully urge the committee to leave the definition of "wages" in its present form.

Sincerely yours,

JAMES J. DONOVAN, *President.*

HOUSE OF REPRESENTATIVES,
Washington, D. C., July 3, 1954.

Hon. EUGENE D. MILLIKIN,
United States Senator from Colorado,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: Since we passed the social-security bill in the House, I have received many complaints that we did not extend the earning capacity of those drawing social security to a much higher level than the $100 increase in wages. I believe, if the Senate would lift this ceiling to a much higher level, such action would be justified, and I know it would be appreciated by countless thousands of our citizens.

I hope the Senate, in its wisdom, will correct the mistakes that have been made in the House.

With kindest regards, I am,

Yours truly,

C. W. VURSELL, *Member of Congress.*

BISMARCK, N. DAK., *July 6, 1954.*

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee:

Re hearings set July 7 in connection with Federal program of participation in public assistance program we think this prudent from a national standpoint that States have an assurance of a certainty in formula for Federal participation until July 1957, the end of biennium for which budgets are now being prepared for the various State budget boards throughout America. Their needs to be some interim security if State may safely budget for next 2 years. Therefore, an extension of the McFarland amendment to July 1957 would in no way prejudice a full looking-over of whole area of State grants-in-aid, at the same time assuring fiscal smoothness of operation that States have a right to expect from the Federal Government. Would be very much disturbed in North Dakota at a short continuation of McFarland amendment which would not in any way give any protection against the perils our suggestion would seek to avoid.

Respectfully submitted on behalf of the Public Welfare Board of North Dakota and entire State of North Dakota.

CARLISLE D. ONSRUD,
Executive Director, Public Welfare Board.

UNIVERSITY OF MINNESOTA,
THE LAW SCHOOL,
Minneapolis, June 2, 1954.

Hon. EDWARD T. THYE,
Senate Office Building, Washington, D. C.

DEAR SIR: I wish to bring to your attention one of those strange and unjust situations in which a citizen finds himself as the result of contradictory positions assumed by two agencies of the same government, each of which exercises powers over him. In 1950 Congress brought within the provisions of the Social Security Act self-employed persons. The tax is collected by the Internal Revenue Bureau. I was told by the St. Paul district director's office that the royalties received by me from books constituted self-employment income subject to tax. I paid the tax thereon for the years 1951–53. I attained the age of 65 on September 9, 1953, and duly filed a claim for social-security benefits later during 1953. I have now been informed by the Federal Security Agency that the amounts which the Internal Revenue Bureau holds taxable as self-employment income are held by

the Federal Security Agency not to be such. The reason alleged by the latter is that writing textbooks in law constitutes part of the practice of law (an excluded employment) if the self-employed person is a licensed lawyer. I am a member of the bar of Minnesota but have since 1922 been professor of law at the University of Minnesota.

I consider the Federal Security's notion of what constitutes the practice of law wholly irrational. I did practice law before entering the teaching profession, but never did I have a client come to me with a proposal that I write a law textbook. But a more serious matter is the position in which I, and others, find themselves. The tax-gathering arm of the United States requires me to pay a tax imposed by a statute which treats that tax as entitling me to certain specific benefits. However, those benefits are administered by another agency of the United States which tells me that the taxes paid do not entitle me to those benefits. It seems to me that this creates an unconscionable situation for the citizen. It would involve large financial outlays to carry the case through all the administrative and judicial steps required to determine which of those agencies is correct. It seems to me that the matter calls for legislative remedy. I believe that justice demands that those who have paid the tax (and it is my own legal opinion that the tax is legally due) should be given the benefit which Congress decided should accrue to those who paid the tax. This could be done by an amendment to the 1950 act providing that the writing and publication of professional books by members of a profession constituting an excluded employment shall not be deemed the practice of such profession, and making that amendment retroactive to the date of the original enactment of the 1950 act.

Very truly yours,

HENRY ROTTSCHAEFER.

MEDICAL SOCIETY OF THE STATE OF NORTH CAROLINA,
Raleigh, N. C., June 30, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: This is to record in your proceedings that the Medical Society of the State of North Carolina is opposed to the inclusion of self-employed persons in the professions in the Social Security Act. We particularly assert that the inclusion of physicians (a profession with concentrated life earnings) will be subjected to gross inequalities in the amendment provision of the act. The latter paramounts the gamut of inequalities which have accrued in this piece of legislation over the past 20 years and its administration over the same period.

Sincerely yours,

JAMES T. BARNES, *Executive Secretary.*

MEDICAL SOCIETY OF THE STATE OF NORTH CAROLINA,
Raleigh, N. C., June 30, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: I have to express to you, for the Medical Society of the State of North Carolina, the opposition of this State Medical Society to the waiver-of-premium clause in the current Social Security Act with which your committee is concerned. It is believed that the act, as now written, socializes a small aspect of medical service, which, with a growing population, involves an ever-increasing high level of longevity and the ever-lowering level of incidents of certain chronic diseases. This would have cause and effect of this act making a socializing inroad into the private practices in the health field. It is our sense that your committee should consider markedly revising this provision to give assurances that you are not stepping the health and welfare department into a socializing function for Government and empowering medical patient choices and directions by administrators in the vast bureaus which health and welfare have established.

Sincerely yours,

JAMES T. BARNES, *Executive Secretary.*

MASSACHUSETTS STATE FIREMEN'S ASSOCIATION,
Boston, Mass., June 25, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR AND MEMBERS OF THE FINANCE COMMITTEE: At a recent meeting of the board of directors of the Massachusetts State Firemen's Association it was unanimously voted to support the position of the joint committee of public employee organizations on H. R. 9366, relative to social security extension to public employees.

We respectfully request that the above statement be made part of the record.

Very respectfully yours,

DANIEL J. LOONEY, *Secretary.*

CHICAGO, ILL., *July 1, 1954.*

Hon. EUGENE D. MILLIKIN,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.:

Our union, the United Packinghouse Workers of America, CIO, is much concerned in California and elsewhere with problems and welfare of seasonal farmworkers. We therefore urge upon members of the Senate Finance Committee necessity to cover such workers under social security legislation. While President Eisenhower's recommendation of coverage for those earning $50 in a calendar quarter from a single employer is inadequate, nevertheless it is a step in the right direction and should be enacted into law as minimum protection. Experience in other countries proves it is administratively feasible to provide coverage to all seasonal migratory workers and we urge this as the ultimate legislative aim. I request that this statement be incorporated in the committee's official record.

A. T. STEPHENS,
Vice President, United Packinghouse Workers of America.

VIRGINIA STATE DENTAL ASSOCIATION,
June 29, 1954.

Hon. EUGENE MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: As a practicing dentist I wish to register a very positive objection to the inclusion of the dental profession under the social security bill now being considered in the Senate Finance Committee.

It is my sincere belief that the average dentist will never receive the retirement benefits set up by this bill but will only be a contributing party for someone else to derive the benefit.

The American Dental Association in its house of delegates has three times by large majorities voted against inclusion of dentists in social security.

I trust you will see fit to use your efforts in opposition to this bill.

Very truly yours,

S. NELSON GRAY.

INDIANAPOLIS, *June 28, 1954.*

In re H. R. 9366

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: I have been in correspondence with the officers of the American Bar Association regarding their position with regard to testifying before the Senate Finance Committee as to extension of social-security coverage to self-employed lawyers.

I am advised by the executive officers of the association that sentiment reflected by polls taken by State bar associations and otherwise indicate an approximately equal division of thought among the ABA members as to whether coverage should or should not be extended to lawyers so situated.

If this be the case, I believe that the Senate Finance Committee, in giving weight to the testimony of representatives of the National Lawyers Guild, who will undoubtedly appear before you, and urge inclusion of all lawyers under the act, will not in any way fairly reflect the views of at least one-half of the lawyers who are members of the American Bar Association and who are certainly the leaders of the bar in general practice.

Such being the case, it appears to me that the only logical answer to the situation as it exists is if there must be extension of social-security coverage to self-employed lawyers, let it be discretionary and not mandatory; then, each lawyer can within the limits of the act work out his personal salvation.

Notwithstanding the very lengthly article appearing by a law professor in the ABA Journal several months ago, I see no administrative difficulties which are insurmountable or even serious in administering a discretionary act. Certainly those of us who do not want social security should not have it rammed down our throats under the guise of an all-paternalistic government who knows better than we do ourselves what we should have. Government should be the servant and not the overlord of the people.

Kind regards.

Sincerely yours,

MARTZ, BEATTEY & WALLACE,
By CASSAT MARTZ.

NEW HAMPSHIRE TEACHERS RETIREMENT SYSTEM,
Concord, June 24, 1954.

Mr. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR MR. MILLIKIN: We wish to state our position on H. R. 9366, and respectfully ask your favorable consideration of our request.

The board of trustees of the New Hampshire Teachers Retirement System recognizes that social security is not designed to serve the purposes of a professional group and that present proposals for amending section 218 (d) do not adequately protect the rights of members of the New Hampshire Teachers Retirement System. The board, therefore, specifically requests that the following minimum safeguards be incorporated in the legislation now being considered in the Senate in H. R. 9366 for the amendment of section 218 (d):

1. Assurance that the members of State and local retirement system shall know what they are voting on in the referendum.
2. Favorable vote of two-thirds of the eligible members, instead of two-thirds of those voting.
3. Addition of a date to make the exclusion provisions more effective.
4. Certain editorial changes so as to leave the question of definition of coverage group to State legislature.
5. Inclusion of a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced thereby.

Sincerely yours,

KENRICK C. BEAN,
Vice Chairman, Board of Trustees.

TEACHERS' RETIREMENT FUND ASSOCIATION,
OF SCHOOL DISTRICT NO. 1, MULTNOMAH COUNTY, OREGON,
Portland, Oreg., June 28, 1954.

FINANCE COMMITTEE,
United States Senate, Washington, D. C.
(Attention: Committee Clerk.)

GENTLEMEN: The board of trustees of the Teachers' Retirement Fund Association of School District No. 1, Portland, Oreg., acting on behalf of the members of the association, submits the following statement concerning H. R. 9366 for consideration by your committee at the time of hearings on that proposed legislation:

1. The Teachers' Retirement Fund Association of School District No. 1, Portland, Oreg., is a local retirement association whose membership is limited

to and compulsory for most, but not all, of the public schoolteachers of the above-named school district.

The association was incorporated January 26, 1912, under provisions of an enabling act adopted by the Oregon State Legislature in 1911, and has been active continually since that time under the original act and its various amendments.

The association has an active membership, at present, of 1975, and a retired membership of 538 who receive annuities and matching pensions under the terms of the enabling act and the association bylaws. Its present assets total $7,000,883.

2. There are at present approximately 125 teachers employed full-time by school district No. 1 who are not members of the association for the following reasons:

(*a*) A small number of Portland teachers are not eligible for membership in the association, under the law, because they were hired after reaching age 45. These teachers are required to enter the State public employees' retirement system and now have Federal social-security coverage under a Federal-State agreement.

(*b*) Some Portland teachers belonged to the State public employees' retirement system before coming into the Portland school system, and elected to remain with the State retirement system when hired by Portland school district. As in (*a*) above, they now have Federal social-security coverage.

3. Maximum retirement benefits for association members total $150 per month, including $75 in pension paid by the school district and $75 in annuity purchased by the member.

4. Members of the association do not have social-security coverage, under the provisions of the present Social Security Act.

5. Except for the members of the Teachers' Retirement Fund Association of School District No. 1, Portland, Oreg., all public schoolteachers in the State of Oregon are covered by the Federal social-security program, under a Federal-State agreement, as well as by the State public employees' retirement system. This includes a number of Portland teachers, as noted 2 (*a*) and 2 (*b*) above.

This double coverage was accomplished at the 1953 session of the Oregon State Legislature through the familiar three-step legal program: (1) Repeal of the existing law establishing the State public employees' retirement system; (2) approval of a Federal-State social-security agreement; and (3) enactment of a law reestablishing the public employees' retirement system with some modification of retirement benefits.

Such a three-step program was not possible for the Teachers' Retirement Fund Association of School District No. 1, for it is a corporation operating under provisions of an enabling act and could not be disbanded and then reestablished without the consent of its members, which would have involved considerable time and even more financial difficulty.

6. The board of trustees of the Teachers' Retirement Fund Association of School District No. 1 believes:

(*a*) That the active members of the association should have the right to be covered by Federal social security through a Federal-State agreement, without discontinuing their present retirement program, in conformity with the situation of all other public schoolteachers of the State of Oregon, including some Portland teachers.

(*b*) That the active members of the association should be given the opportunity, by a referendum vote, to determine whether or not the State should enter into a social-security agreement on behalf of the association; and

(*c*) That H. R. 9366 provides a satisfactory method of providing this right and opportunity for members of the association.

7. The board of trustees also believes:

(*a*) That a new beginning date, or some other plan which would avoid penalizing newly covered persons for lack of covered earnings since 1950, should be part of any revision of the Social Security Act; and

(*b*) That the plan provided in H. R. 9366 for disregarding the 4 years of lowest earnings or 4 years of noncovered employment in computing the average monthly wage, and therefore the monthly retirement benefits, is a workable method of providing for newly covered persons while at the same time providing a desirable protection against reduced benefits for those covered by social security at the present time.

8. Furthermore, the board of trustees believes that H. R. 9366 includes desirable revisions of the Social Security Act in providing:

(*a*) Protection of a worker against reduction of benefits because of extended total disability;

(*b*) Increase of the maximum salary on which social-security taxes would be imposed and on which retirement benefits would be figured, from $3,600 to $4,200; and

(*c*) Liberalization of the work clause so that social-security beneficiaries can earn up to $1,000 a year without loss in benefits.

Therefore, the board of trustees of the Teachers' Retirement Fund Association of School District No. 1, Portland, Oreg., acting on behalf of the members of the association, recommends and urges that your committee take favorable action in regard to H. R. 9366 at the earliest opportunity.

Respectfully yours,

CLARENCE E. OLIVER, *President.*

INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE, INC.,
Washington, D. C., June 23, 1954.

Re social security bill, H. R. 9366.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: This association wishes to go on record as opposing compulsory social security where policemen already are under a sound retirement system.

It is the viewpoint of this association that the only possible instances in which social security would benefit a police official would be in the very small departments where there is no State or city pension system—and it is our desire that police officials in these departments be included, through their local government, as any other city employee.

The above stand is taken in view of the fact that social-security benefits are not as favorable to police officials as their own existing pension systems and because police officials cannot remain on active duty until they reach the age of 65 to qualify for social-security benefits. Practically every department has compulsory retirement before the age of 65.

Sincerely yours,

LEROY E. WIKE,
Executive Secretary.

STATEMENT OF CONGRESSMAN SAM COON, OF OREGON, RE EXCLUSION OF CHRISTIAN SCIENCE PRACTITIONERS FROM SOCIAL SECURITY PROGRAM

I have received a number of letters and wires from many Christian Science practitioners in Oregon requesting me to appear before this committee in behalf of having Christian Science practitioners exempt from coverage under the Social Security Act.

I am attaching to this statement a few of these letters so that the committee may see the earnest opposition of these practitioners to being placed under the social-security program. The principal point brought out by these letters is that Christian Science practitioners hardly ever retire and therefore would not benefit under the social-security program. I quote from one of these letters which says:

"As you probably know, Christian Science practitioners do not retire. As a result, the inclusion of practitioners under the Social Security Act would result in an unfair lifetime exaction of contributions, from their income, for benefits they would never receive."

The letters to me also brought out the point that as Christian Science practitioners make progress in their work year after year, they grow in wisdom and ability, and thus become more active and more useful in assisting those who call on them for help. Thus their productivity increases with years of experience rather than diminishes, and they therefore have no reason to retire and do not wish to retire. They would thus be always paying under the social-security program and never receiving any benefits.

One of these letters from a practitioner in Oregon which I am attaching contains the statement:

"I am 68 and instead of retiring, I am going stronger than ever, and busier than ever in my Christian Science Practice. I do not intend to retire, and I would never receive any benefits from social security. You are welcome to use this letter to voice my protest."

Another of these attached letters from a practitioner of Portland, Oreg., you will note states as follows:

"I am in the public practice of Christian Science and have been so engaged for 10 years after having withdrawn from the profession of civil engineering in order to take up this religious work. It is a work in which, and from which, one does not retire; and I look forward to active and progressive and useful years of service long beyond the arbitrary age of 65. Like others in this particular field of religious service, I would not stand to receive any benefits from social security; and I feel very earnestly that we should not be taxed for hypothetical benefits. Physicians, I understand, are already excluded for reasons somewhat similar to those of Christian Science practitioners; and I feel that we should have a similar exemption."

This committee knows that medical doctors expressed their wish not to be included under social security on the basis that generally they do not retire and therefore would not receive any benefits under the act. The many letters I have received from Christian Science practitioners give evidence that likewise the practitioners wish to be exempt from the act on the same grounds, as they hardly ever retire. On the basis of fairness, the request of the medical doctors to be excluded was honored by the House Committee on Ways and Means, and they were not covered by the act. In like manner, the Christian Science practitioners point out it is unfair for them to be included in the act, when they would only be paying under the program and ever benefiting.

I hope this committee will take action to approve this request of these Christian Science practitioners and to exclude them from coverage under the social-security program.

NINTH DISTRICT DENTAL SOCIETY,
Memphis, Tenn., June 23, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman of Senate Finance Committee,
Washington, D. C.

DEAR SIR: The Ninth District Dental Society is on record as opposing the inclusion of dentists in the old-age and survivors insurance program of the Federal Social Security Act, bill H. R. 9366.

Our society wishes to protest vigorously the action of the Ways and Means Committee. The house of delegates of the American Dental Association considered this question 5 times and has voted 5 times against the inclusion of self-employed dentists.

Therefore, we feel that the Ways and Means Committee is disregarding the wishes of the majority of dentists in the United States.

Sincerely,

ARTHUR R. SAMPLE.

THE BOARD OF MINISTERIAL PENSIONS AND RELIEF,
UNITED PRESBYTERIAN CHURCH OF NORTH AMERICA,
Philadelphia, Pa., June 25, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance,
Washington, D. C.

DEAR SENATOR MILLIKIN: During the coming week your committee is to have hearings on bill H. R. 9366, extending social-security coverage to ministers of the churches of the United States.

On behalf of the ministers of this country I urge that this bill, as now written, be changed so as to give coverage on a self-employed basis. I represent 1,000 ministers who have emphatically expressed their will that "the status of self-employed is desirable above all other considerations."

By changing the bill to a self-employed basis, complications almost insurmountable will be eliminated; ministers will have greater coverage (social security and church pension); taxing the church will be avoided; the present church pension plans will not be destroyed.

I urge this change not to save any church pension system per se, believe me, but that ministers will have coverage comparable to employees of business organizations.

Most respectfully,

O. L. HUSSEY,
Secretary, United Presbyterian Board of Pensions, also President, Church Pensions Conference.

NATIONAL COUNCIL OF JEWISH WOMEN, INC.,
New York, N. Y., June 29, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SIR: Enclosed is a statement on behalf of several national organizations in support of an expanded social-security program. We wish to have this statement incorporated in the record of the hearings being held by your committee now, and would appreciate it very much if you would introduce the statement in the record.

Respectfully yours,

HELEN RAEBECK,
Head, Department of Public Affairs.

STATEMENT ON BEHALF OF FIVE NATIONAL ORGANIZATIONS SUPPORTING AN EXPANDED SOCIAL-SECURITY PROGRAM

This statement in support of an expanded and strengthened social-security program is presented by the following national organizations:

American Home Economics Association
National board, Young Women's Christian Association
National Congress of Colored Parents and Teachers
National Council of Jewish Women
United Church Women

We believe that the demonstrated social and economic benefits of our Federal contributory social-insurance system during the past 20 years have been so great, and the experience acquired in administering such a program has been so satisfactory, that we are now justified in extending coverage of the program to all workers who do not yet enjoy its benefits. We, therefore, urge the Committee on Finance to give favorable consideration to the provisions of H. R. 7199 that would extend coverage of old-age and survivors insurance to approximately 10 million people.

We also urge that modifications be made in the present law to assure more adequate insurance benefits. Surveys show that old-age and survivors benefits constitute the major source of income for most beneficiaries, and that far too many of these old people are obliged to seek public assistance to eke out their meager social-security payments. Moreover, we hope that the committee can find an acceptable formula for maintaining automatically a more stable relationship between benefit payments and rising prices. Adjustment of benefits by act of Congress each time the cost of living takes a substantial jump is a delaying and time-consuming procedure.

Workers in the United States today remain uninsured under our social-security system against one important and serious source of wage loss, that of unemployment due to permanent disabilities not directly traceable to the nature of their employment. We should like, therefore, to recommend that the Social Security Act be extended to provide disability insurance for the totally disabled, and that rehabilitation services be provided for those capable of benefiting from vocational retraining.

AUSTIN, TEX., *July 7, 1954.*

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.:

As president of the American Public Welfare Association and as executive director of the Texas State Department of Public Welfare I would like to go on record as strongly endorsing and supporting the extension of coverage and

improvement of benefits in the old age and survivors' insurance program contained in H. R. 9366. The principle of contributory insurance as a means of protection against loss of income due to predictable hazards has proved economically sound and administratively feasible and is consistent with American traditions of self-reliance and freedom from the inevitable invasion of privacy inherent in public aid. I especially favor the provision originally advocated by the administration for the coverage of farm workers who receive $50 a quarter in cash wages from one employer. The migratory workers who are excluded by H. R. 9366 are the very persons who are likely to become public assistance recipients. The insurance program cannot fulfill its purpose of reducing public assistance loads to the minimum until the largest possible number of employed persons are covered and saving for their own retirement. Our Texas constitution prohibits our legislature from appropriating additional funds for assistance group in Texas. We would strongly urge that the McFarland amendment be continued until some better method of equitable distribution of Federal funds is developed. We therefore earnestly request your favorable consideration of an extension of the present Federal formula until a better formula can be carefully considered and adopted with sufficient advance notice to give the States time to secure changes in statutes and in our case time to secure a change in our State constitution as well.

JOHN W. WINTERS.

COUNTY OF LOS ANGELES,
EMPLOYEES RETIREMENT ASSOCIATION, BOARD OF RETIREMENT,
Los Angeles, Calif., June 25, 1954.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

MY DEAR SENATOR MILLIKIN: When in 1952 the Senate Finance Committee was considering the Social Security Act, many public employees were most grateful that you did not approve amendments to section 218d. Now you have before you H. R. 9366 and again we would urge that amendments affecting public employees having retirement systems be not approved, in fact, that any action to extend social-security coverage into that area be postponed if not indefinitely, at least until a more complete and thorough study has been made.

Particularly in California where there is an excellent State employees retirement system, and with which cities and small counties may contract, and in Los Angeles County where we have a very good actuarial system under State enabling legislation, which is also used by many other counties in the State—well, we just don't want social security, and certainly we don't want it with any impairment of rights under our existing systems.

I still maintain, as I wrote on October 15, 1953, to Hon. Carl T. Curtis, with copies to you and to our California Senators, "I firmly believe that section 218d should be allowed to remain in its present form, at least for 1 more year. (You know I really mean leave it alone.) There has been no real meeting of minds between public employees seeking to improve Government service through an effective personnel system and the groups agitating for universal application of the social-security program.

So that in the future I might again write to you beginning with "Thank you," won't you undertake to keep section 218d as is.

Sincerely yours,

MRS. GLADYS JOHNSON,
Employee-Elected Member of Board of Retirement.

EDWIN SHIELDS HEWITT AND ASSOCIATES,
June 21, 1954.

Subject: H. R. 9366, proposed social security changes.

HON. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SIR: In the study of problems of the older worker, as independent actuaries, analysts, and advisors in the field of pension and other employee benefits, our organization naturally has given a great deal of attention to the subject of social security. We are in accord with the concept and framework of the

original Social Security Act, believing it a proper function of government to provide minimum subsistence benefits to protect aged and needy citizens from economic privation. However, there are provisions with which I am not in agreement in social security legislation now being considered by the Senate Finance Committee.

In this legislation, there is further drastic departure from the original objectives of the Social Security Act as enacted in 1935. Because of the impact these changes will have on the entire concept of social security, and the precedent they will establish for future generations in determining the role of individual, employer and government in providing economic security for the individual and his family, they warrant careful scrutiny.

I do not believe the majority of the American people understand that the proposed increase in benefits and taxes represents a major change in the philosophy of social security. It is the duty of Congress to make known to the Nation how these changes will affect the framework of the Social Security Act.

Specifically, my objections to the proposed legislation are these:

1. Increasing maximum benefits while maintaining an inadequate and unrealistic minimum benefit level is a drastic departure from the subsistence benefit concept of the original Social Security Act.

Taxes used to provide larger maximum benefits would be better used to provide larger minimum benefits intended to meet the economic needs of all citizens. The result of an ever-increasing maximum benefit level will be eventual development of a universal, Government-sponsored pension system. Such a system would tend to usurp the right of the individual and of private business to provide for themselves and their employees. Also, increased benefit levels for older people will lessen their incentive to continue at full employment. During a period of labor shortage, this could seriously affect the entire economy. (See attached charts.)

2. Increasing the tax base from $3,600 to $4,200 of annual pay is both unnecessary and inequitable.

The amount of benefit increase for a person earning in excess of $4,200 is disproportionate to the increased tax burden. Although the actual dollar amount involved in individual cases would not be significant, as a precedent, it would be dangerous.

3. The provision granting social security tax relief to disabled persons is unrealistic.

It is desirable to provide for the disabled, but the proposed program would prove a tremendous medical and administrative burden. The cost of examining up to 75 million people to determine degrees of disability at no expense to those examined would be financially staggering to any social security program.

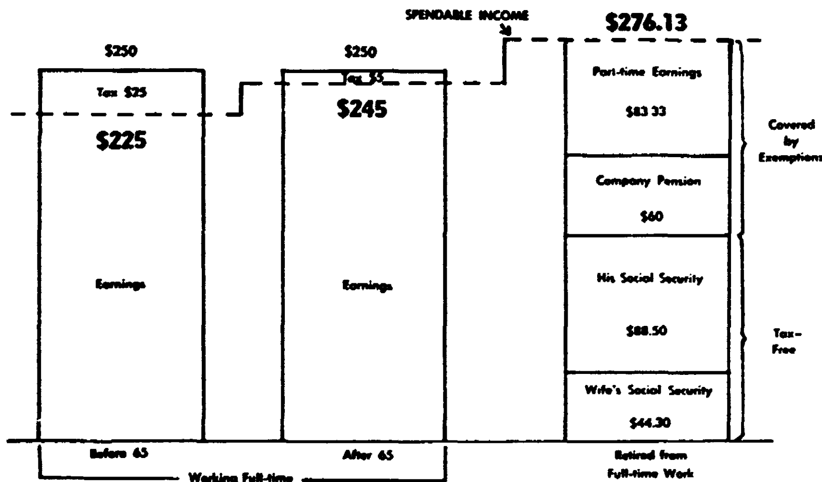
These are my objections. For the sake of brevity, I have stated only my negative viewpoint. I hope you will find this material of help in evaluating the important legislation before you.

Sincerely,

EDWIN SHIELDS HEWITT.

Proposed Social Security Would Make This Possible

This chart illustrates the effect of 1954 Social Security changes in the case of a worker with: pay $250 a month, an employer-paid pension of $2 a month times years of service, 30 years of service at age 65, a wife who is also 65, and part-time work available to him after retirement.



EDWIN SHIELDS HEWITT AND ASSOCIATES Libertyville, Illinois Aug. 1954

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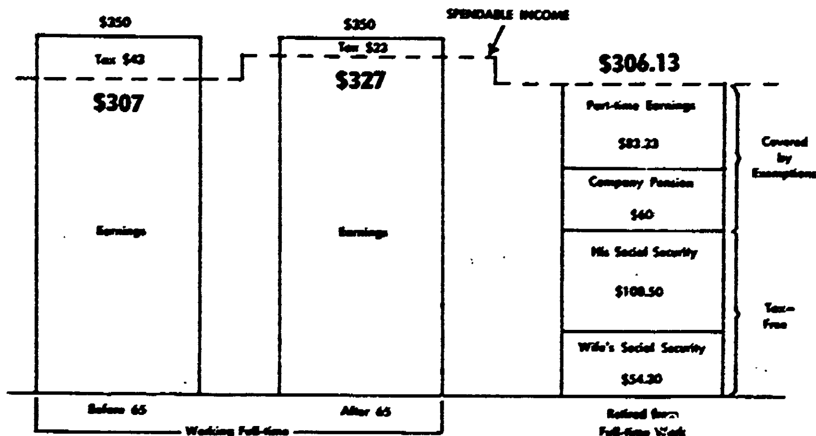
Proposed Social Security Would Make This Possible

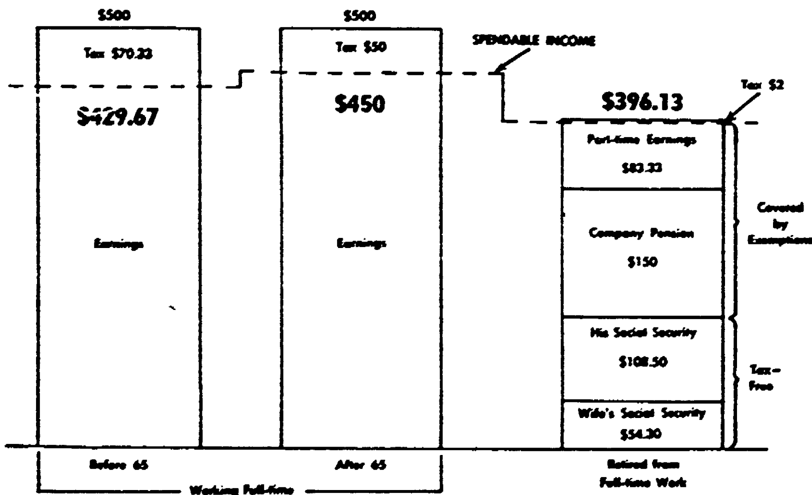
This chart illustrates the effect of 1954 Social Security changes in the case of a worker with: pay $350 a month, an employer-paid pension of $2 a month times years of service, 30 years of service at age 65, a wife who is also 65, and part-time work available to him after retirement.



EDWIN SHIELDS HEWITT AND ASSOCIATES Libertyville, Illinois June 1954

Proposed Social Security Would Make This Possible

This chart illustrates the effect of 1954 Social Security changes in the case of a worker with: pay $500 a month, an employer-paid pension of 1% of pay times years of service, 30 years service at age 65, a wife who is also 65, and part-time work available to him after retirement.



EDWIN SHIELDS HEWITT and ASSOCIATES Libertyville, Illinois June, 1954

NEW JERSEY COUNCIL OF TEACHER ORGANIZATIONS,
Hoboken, N. J., June 24, 1954.

To the MEMBERS OF THE SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

We urge you to retain the referendum provisions in the social-security bill, H. R. 8300, which prevents using the "backdoor" method of covering public employees, now excluded from social security. By using the "backdoor" method, namely, repeal of an existing retirement system, coverage under social security, and the enactment of a new retirement system, public employees have no opportunity to vote for or against inclusion under social security. Since 1951 eight State teacher retirement systems have been placed under social security by the "backdoor" method.

The retention of the referendum vote in H. R. 8300, requiring a 90 days' notice in advance of the referendum, gives the 3,500,000 State, county, municipal, and other public employees, including teachers, throughout the United States, the option to vote for or against social-security coverage, and sufficient time to safeguard their existing actuarial retirement systems.

Sincerely yours,

IDA E. HOUSMAN, *Pension Officer.*

MOBILE, ALA., *July 5, 1954.*

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Enclosed is copy of a statement prepared by me for members of the Finance Committee to show why the amendment adopted by the House changing the earnings limitation from the present $75 per month to $1,000 per year will result in penalizing both beneficiaries and social-security funds.

As pointed out, it is doubtful whether many members of the House fully understood at the time the fundamental character of this change but, of course, they had no choice but to take it as reported by the House committee.

I trust the statement will have your very careful consideration.

Respectfully yours,

J. ROY THOMPSON.

STATEMENT SHOWING WHY THE HOUSE AMENDMENT TO THE WORK CLAUSE OF THE SOCIAL SECURITY ACT WILL RESULT IN LOSS TO BENEFICIARIES AND TO THE SOCIAL-SECURITY SYSTEM

The amendment to the earnings limitation provision of the Social Security Act recently adopted by the House is a radical and retrogressive departure from the concept of the earnings limitation embodied in the act since its inception. The House amendment would change the limitation on earnings from the present $75 in 1 month, without loss of benefits, to $1,000 in 1 year, and imposes a confiscatory penalty on earnings in excess of that amount.

This amendment, if accepted by the Senate, will strike from the law the very constructive feature which encourages and gives incentive to beneficiaries to earn more than $75 in any 1 month. It will force large categories of beneficiaries to curtail or give up earnings from work they are of necessity now doing to supplement admittedly inadequate social-security payments.

It would also substantially increase the burden of benefit payments to be borne by the system, without offsetting gain, since it would be obliged to make full payments to those on the rolls whose earnings would be restricted to the House limitation, instead of being relieved of making payments for those months in which more than $75 is earned, as under present law.

When this bill was called up in the House and passed within a few hours under a closed rule, no reference was made in any of the statements of its sponsors to the fact that the change from the monthly to an annual base would be a fundamental revision of the principle underlying the earnings limitation contained in present law and would largely nullify its advantages. On the contrary, statements were repeatedly made implying that the present law limits earnings to $75 per month and $900 per year in all cases, which, of course, is not the fact.

Members of the House were told that the amendment would "liberalize" the work clause "so that beneficiaries will not lose benefits when they earn more than $75 per month, but will lose benefits only when they earn more than $1,000

per year." Copies of the bill with committee amendments were made available to members only a day or two before it was called up and passed. Doubtless few were aware at the moment of the basic character of the proposed change in limitation to the annual base.

The way in which explanations of the bill were "slanted" to imply that the amendment would be advantageous to all beneficiaries and would result in increasing presently permitted earnings is shown in the following excerpts from the statement of the chairman of the House committee, Mr. Reed, in summarizing the committee's report, on page 7017 of the Congressional Record of June 1:

"The earnings limitation on beneficiaries under age 75—the so-called work clause—has been liberalized to permit our aged citizens to be more productive. * * * Under present law the so-called work clause provision allows earnings in covered employment up to $75 per month. * * * A worker will lose 1 month's benefit for each $80, or fraction therof, in excess of $1,000 regardless of whether it is earned in covered or uncovered employment. * * *

"For example, a beneficiary could work throughout the year at $90 a month and lose 1 month's benefit, whereas under present law he could lose all 12.

"As another example, a beneficiary could earn $300 a month for 3 months—such as at Christmas—without losing any benefits, whereas under present law he would lose 3 months' benefits."

The rationale of the House amendment is based on the claim that it is advantageous to those whose earnings fluctuate around a monthly average of $83.33 (one-twelfth of the $1,000 annual limitation) and that such beneficiaries would not lose benefits when they earned up to that monthly average during an entire year.

For instance, in the first example above taken from the committee's report, it is stated that under the House proposal a beneficiary who earned $90 a month for 12 months, a total of $1,080, would exceed the yearly limitation by only $80 and would thus suffer a penalty of only 1 month's benefits, whereas under existing law he would lose all 12 monthly benefits.

The figures used in this example are not typical, because no beneficiary could be so naive or incautious as to permit his earnings to exceed either the present limitation of $75 in 1 month or the House limit of $1,000 in 1 year by so narrow a margin, since by so doing he would lose benefits of a greater amount. If through some miscalculation one should actually earn more than the limit by so small a margin, or even any amount, less than his benefits, he would simply donate the excess to his employer and accept earnings only up to the limit allowed without loss of benefits. In fact, many are now working, even full time, for $75 per month in order to keep within the limit and avoid loss of benefits, when they could easily obtain more for their services. It can thus be readily seen why the House amendment would be advantageous to an insignificantly small number of beneficiaries coming within this group. If, indeed, this was the objective of the amendment it could have been attained by much more direct and specific provisions.

The second example cited from the House report also shows that the House amendment is more liberal only in special cases. For the great majority of beneficiaries its disadvantages far outweigh any advantages and will not "permit our aged citizens to be more productive."

A very important change from the present law not brought out in the presentation of this second example, and one that should be strongly emphasized because it needs to be clearly understood, is that the beneficiary in this example to be in position to earn $900 in the last 3 months, or any other 3 months, of a year without losing benefits would have to stand idle and wihout earnings, except for $100, during all of the other 9 months. If he had earned more than $100 during all of the other months of the same year he could not have earned $900 in any 3 months without exceeding the House limitation of $1,000 and having the excess taken away from him through operation of the new penalty provision. The last 3 months of a year was obviously selected for this example so that the limitation on earnings for the preceding 9 months would not be so apparent as to require explanation.

The penalty provision and the House limitation will effectively freeze earnings within the House ceiling and at the same time will freeze the social system to the increased obligation of making benefit payments for every month in the year, without being saved payments for months when, as at present, earnings are more than $75. Thus if one's benefits were, say, $60 per month, or $720 per year, his income from earnings and benefits could not exceed $1,720.

Under present law both the beneficiary and the social-security system would fare much better under the conditions in the second example. The beneficiary would, as stated, lose benefits for the 3 months in which he earned $900, and which he was willing to lose in view of those earnings. But he would not, after earning $900 in the last 3 months, or in any 3 months of a year, lose his right to earn up to $75, without loss of benefits, in each of the other 9 months of the year, as he would do after earning $900 under the House amendment. If he had thus earned the limit of $75, without loss of benefits, in the preceding 9 months, or $675, his total earned income would be $1,575 ($900 plus $675), as compared with the ceiling of $1,000 fixed by the House.

During the year he would also be entitled to receive benefit payments for 9 months of, say, $60 per month, or $540, which would bring his total income for the year to $2,115, as compared with the maximum he could have under the House amendment of $1,720. The social security system would be saved $180 while he was off the roll for 3 months and would also gain the 4 percent tax on his earnings.

To carry the comparison still further: Had the beneficiary earned $900 in the first 3 months of the year, he would have been forced under the House amendment to remain idle during the remaining 9 months, or to earn not more than $100, regardless of what remunerative work opportunities he may have had. However, under present law he would be entirely free during that time to take advantage of any earnings opportunities in any amount above $75, with loss of benefits, and with the blessings of the social-security system. His only concern would be whether his earnings would justify loss of the benefits he would thereby forfeit.

Again, if the beneficiary in the first example had earned $900 in the first 3 months of the year and had also absent-mindedly earned $900 in the remaining months of the year, he would have earned $800 in excess of the House limitation, and would incur a penalty of 10 months' benefits. Should his benefits have been increased to the maximum of $98.50 proposed in the pending revision, his total penalty would be $985 on excess earnings of only $800. If he should become incapacitated during the 10 months he was off the rolls his situation would be very unpleasant. Under present law he would be encouraged to earn more than $75 during 6 months and thereby save benefits payments to the system for that period.

The House amendment will disappoint those who were lead by campaign promises to expect a relaxation of the work limitations. The higher floor it purports to place under permissible earnings turns out to be a ceiling as well as a floor.

As above demonstrated, the House amendment is an absolute bar against earned income of more than $1,000 per year. It does not, however, disturb the preference now given to those who are so fortunte as to have large unearned income. Paradoxically, the obnoxious means test, as a measure of income, has never been imposed upon those who clip interest coupons and draw dividends without any limitation and at the same time receive social security benefits.' The means test is prescribed only for those who must earn income by sweat of brow.

J. Roy Thompson.

Government Employees' Council
of the American Federation of Labor,
Washington 1, D. C., June 22, 1954.

Hon. Eugene D. Millikin,
Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

(Attention: Miss Elizabeth B. Springer, Chief Clerk.)

Dear Chairman Millikin: This morning in talking with Miss Elizabeth B. Springer, chief clerk, on the contents of S. 2324 and H. R. 9366, Miss Springer suggested that I prepare a letter on this subject in order that our position would be in the file, and likewise if there is any desire to amend H. R. 9366 to include the provisions of S. 2324 that we would be notified, and given an opportunity to file our objections to the provisions as outlined in S. 2324. We strongly urge that your committee not amend H. R. 9366 to include S. 2324.

It is our opinion that S. 2324 is the type of legislation that should be approved or rejected on its own merits or demerits, and not be tied to other legislation.

Greatly appreciate the interest and cooperation of your chief clerk, Miss Elizabeth B. Springer.

Most sincerely,

THOMAS G. WALTERS,
Operations Director.

ST. LOUIS, MO., *July 7, 1954.*

Mrs. ELIZABETH SPRINGER,
Senate Office Building:

Many physicians would welcome the privilege of social-security coverage. Devotion to the cause of rendering medical service to persons who cannot adequately afford its cost has limited the financial remuneration of many physicians in public clinics and private practice. We have been glad to render such service and now would be grateful for assistance when we become unable to work.

Sincerely,

JOHN V. LAWRENCE, M. D.

ILLINOIS POLICE ASSOCIATION, INC.,
Chicago, Ill., July 7, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: Members of this association are deeply interested in H. R. 9366 relating to social security, and we find it to be objectionable in its present form.

We submit the following several changes for your consideration, and we are confident that you will find them quite reasonable. We urgently request that they be incorporated in said bill and your support of same will be greatly appreciated.

1. Assurance that the members of State and local retirement systems shall know what they are voting on in the referendum.
2. Total favorable vote of two-thirds of the eligible members instead of two-thirds of those voting.
3. Addition of a date to make the exclusion provisions more effective.
4. The continuance of total exclusion of firemen and policemen.
5. Determination of definition of coverage group by State legislatures.
6. Inclusion of a statement of policy that it is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced.
7. Inclusion of a provision that for any coverage group of public employees who are brought under social-security coverage subsequent to effective date of said bill, the starting date for such coverage group for the computation of, and qualification for, benefits, shall be a date not earlier than the first day of the calendar year in which they are brought under social-security coverage.

All of the enumerated proposals listed are endorsed by the National Conference of Public Employee Retirement Systems.

Yours truly,

LAWRENCE B. HOFFMAN, *Secretary-Treasurer.*

THE CHURCH PENSION FUND,
New York, N. Y., July 6, 1954.

Hon. RUSSELL B. LONG,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR LONG: I attended the hearing of the Senate Finance Committee on Thursday morning, July 1, on the question of the clergy and social security. I wish to make a number of points in favor of S. 3278, which would make coverage voluntary and as if self-employed.

The Church Pension Fund is the clergy pension system of the Protestant Episcopal Church. It is a fully matured system, that is, the pensions it is now paying reflect the full years of active ministry of the men. The accrued liabilities have been funded.

It provides pensions for the men and for their surviving families, with a loading in favor of the lower paid and those with shorter service, as the Federal system does. It is thus a floor of protection. But it is much more than that. It goes far beyond the Federal system.

Its retirement pension runs up to 100 percent of the man's average salary in the lower salary brackets. It gives disability pensions from the time of entry and widows' pensions regardless of age whether there are surviving children or not. Its orphans' pensions run to age 21 instead of only 18. It has a much larger lump-sum death benefit than the Federal. And there is no arbitrary salary limit like the Federal's $4,200 (as being considered).

The system's pensions get far closer to adequacy than the Federal pensions, at every salary level. The Federal pension disbursements, the Washington actuaries report, will climb to the equivalent of some 10 percent of taxed payroll and then level off. The corresponding level for the Episcopal system is 25 percent—2½ times as high.

The permanent contribution rate of the church system is much less than the Federal, in relation to the benefits. The permanent contribution of the church system is 10 percent of payroll, of the Federal system 8 percent of payroll.

The church thus is paying only one-quarter higher contributions to get 1½ times higher benefits. A full actuarial reserve system has the great advantage of lower permanent costs over a pay-as-you-go system. This is especially marked when the reserve system can hold higher yielding investments than United States Government bonds.

Adding the social-security tax onto the contribution to the church's system would become in time a heavy burden on the parishes. The total cost would become recognized as excessive when related to active-service pay, which is characteristically lower than that of any other professionally trained group, and to parish resources, which are almost always smaller than the needs. Moreover, the total benefits, when the Federal and church benefits are added together (the equivalent of 35 percent of payroll), would become recognized as excessive in relation to active-service pay and the pension outlook of most parishioners.

If the parishes, when faced with the Government tax, should lower their contributions to their own system by the amount of tax, there would begin a downgrading of pensions that would continue for many years. As an example, a man in the $4,200-salary class retiring soon after the Federal coverage would have $1,302 from the Government and $1,800 from the church, a total of $3,102. A man with $4,200 salary retiring years hence would have the same $1,302 from the Government, by only $360 from the church, a total of $1,632, which would be less than the $1,800 from the church system if left undisturbed.

The disturbance to the clergy pension picture would be more severe than indicated above because the disability and widows' and orphans' benefits as well would suffer steady downgrading. It is inherent in any attempt to substitute for an effective system one that is costlier and less effective.

Dovetailing a system like that of the Episcopal Church with social security is quite different from dovetailing industrial plans with it. Our plan already has more satisfactory "socializing" and survivorship benefits than social security. Industrial plans do not have these and, therefore, social security is a good complement to them.

Because of the great bargain in the Federal system at its present low tax rate and particularly for older workers, many ministers would seek coverage out of simple self-interest and get their parishes to subscribe.

The process of downgrading in the clergy pension picture would then begin.

The simple way out of this dilemma is S. 3278, which I believe you are supporting. This is to apply to the clergy the tax schedule which now applies to some self-employed groups, and to give the individual clergyman choice whether he wants the coverage or not.

This arrangement would in the first place obviate the strong objection in many quarters to the church being placed in the position of coming to the State and asking the State to use its compulsion on the church in a sphere in which the church has always felt a keen responsibility.

In the second place it would give the many ministers who are not covered in well-developed church plans the desired floor of protection.

In the third place it would give each clergyman a chance to choose whether, in the light of the broad and basic pension protection he may have in his church's own system, he wants Federal coverage or wants to use his excess funds for other purposes.

In the fourth place it would obviate the objection that many clergymen and others in the church would raise to having their relation to their parishes classed as an employer-employee relation.

The point has been made by the department in Washington, we understand, that if clergy coverage under the tax schedule applying to self-employed were made voluntary a degree of antiselection against the system would be created. We wish to emphasize that Federal social security exists to assure a floor of protection. It is inconsistent with this principle to compel, on antiselection or any other grounds, participation which involves downgrading the minister's floor of protection. Antiselection and windfalls are now present in the Federal system to such an extent that the possible antiselection in voluntary participation of ministers is absurdly immaterial.

The report accompanying H. R. 9366 gives as a reason why ministers should not be treated as self-employed workers that the organization employing them would pay no contributions for their pensions at all. This is in grave error. Every Episcopal Church parish is now paying a 10 percent payroll contribution to its own clergy pension system. Many of the other churches are now making substantial contributions to their own systems.

The distinction should be recognized that the status of ministers is unlike that of other professional groups, whose coverage is compulsory, in that first the ministers' income when active is much less than the others and second they are already generally covered in the well-developed retirement plans of their churches.

Very sincerely yours,

ROBERT WORTHINGTON,
Executive Vice President.

STATE DEPARTMENT OF PUBLIC WELFARE,
COLUMBIA, S. C., *July 7, 1954.*

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: As director of the South Carolina State Department of Public Welfare, I would like to register South Carolina's endorsement of the principles incorporated in H. R. 9366 dealing with the expansion of old-age and survivors insurance.

South Carolina is predominantly agricultural and since neither farmers nor farm laborers are covered under the present insurance titles, only 61 percent of South Carolina's employed labor force is in covered employment. We are, therefore, vitally aware of the need to bring into the old-age and survivors insurance program all gainfully employed persons.

South Carolina is presently providing old-age assistance to 42,800 aged persons as compared to about 27,000 aged people receiving old-age and survivors insurance benefits. Presently the number of aged persons receiving old-age assistance in this State is 329 in each 1,000 persons over 65 years of age; and of those receiving old-age and survivors insurance benefits, the number is 218 per 1,000.

Only through the extension of the social-insurance program to all of the gainfully employed can we expect a decline in the old-age assistance load or the number of children receiving aid. Such a program covering all the gainfully employed is a sound program and will materially reduce the public-assistance rolls over the next few years.

H. R. 9366 extends the present public assistance matching provisions until September 30, 1955. In that many State legislatures meet biennially we would urge that these provisions be extended at least until June 30, 1957, thereby giving all States sufficient time to adjust their appropriations accordingly.

In view of the foregoing, I respectfully request that this letter be made a part of the hearing record.

Sincerely yours,

ARTHUR B. RIVERS, *State Director.*

THE NORTH CAROLINA STATE BOARD OF PUBLIC WELFARE,
Raleigh, N. C., July 7, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR MILLIKIN: On behalf of the North Carolina State Board of Public Welfare and the 100 county departments of public welfare, I wish to express our endorsement and support of H. R. 9366, extending the coverage and improving the benefits under the old-age and survivors insurance program. In consideration of the OASI program by earlier sessions of the Congress, public officials in this State have consistently given support to the basic objectives of H. R. 9366.

In connection with consideration by the Senate Finance Committee of the present bill, we wish to call your attention to the following points with respect to the relationships between OASI and the public assistance programs:

First, it is essential that the present Federal matching formula be continued for all old-age assistance cases for at least the next 5 or 6 years. It will take that period of time for the expanded benefits of H. R. 9366 to take full effect in this and other rural States. On the average, applicants for old-age assistance in North Carolina are 69 years of age. Thus persons who will not be able to obtain 6 quarters of OASI coverage by the age of 65 and those persons now 65 years of age and over may be expected to come on the old-age assistance program at the present or an accelerated rate for the next 5 to 6 years, assuming substantially the same economic conditions as at present. With the increase in the number of older people in the population of the State, an estimated 35,000 persons will come on old-age assistance in North Carolina as new cases by July 1, 1960. This total does not include cases which will be reopened. Meanwhile, the present load of 51,000 old-age assistance recipients will not be decreased by deaths and other reasons for closing to the extent that cases are opened. Only 5.3 percent of the present old-age assistance recipients receive OASI benefits. The State will have a major financial problem to maintain its present share of the old-age assistance grant for the next few years.

Second, it is important that the coverage of the social-insurance program be extended insofar as possible to the total working population. This has special reference to farm operators and other farm workers so that the proposed amendments may be of greatest value to this predominantly rural State. In 1950 of all employed persons in North Carolina, one-fourth were engaged in agriculture. On the basis of the current old-age assistance load, it appears that over half of all recipients were dependent upon agriculture for a livlihood. Unless there is practically complete coverage for agriculture, there will be a continued high old-age assistance rate in future years.

Third, public assistance payments are now based on the revised matching formula resulting from the McFarland amendments due to expire as of September 30, 1954. We request extension of this formula until June 30, 1957. Such extension would have the major advantage of coinciding with the end not only of the fiscal year but also of the biennium. Since this State sets up its budget on a biennial basis, it is necessary to plan the financing of programs on a biennial period. Significant changes in State financing require a considerable period of time for development. Without the hazard to States of an early curtailing of funds to public assistance through some change in the matching formula, time would thus be made available for restudy of the public assistance formulas and for careful evaluation of the effects of any proposed changes on this and other States.

We shall appreciate having this letter made a part of the testimony in support of H. R. 9366.

Sincerely,

ELLEN WINSTON, *Commissioner.*

STATEMENT OF H. L. MITCHELL, PRESIDENT, NATIONAL AGRICULTURAL WORKERS UNION, A. F. OF L.

Mr. Chairman and members of the committee, I am H. L. Mitchell, president of the National Agricultural Workers Union, A. F. of L., with headquarters in Washington. Our organization speaks primarily for workers employed on large-scale corporate farms in the Southern and Southwestern States. However, we also have among our members a number of the smaller farmers to whom Presi-

dent Eisenhower referred in his message to Congress last January as operating "3½ million of the Nation's 5½ million farms, and whose production was so small that the farmer derives little benefit from price supports." Since this is true, it appears to me that the inclusion of the small farmer under the old-age and survivors insurance program is a step in the right direction. We believe that such coverage should be compulsory, certainly insofar as those little farmers are concerned. There are few among these farmers who would have an average earning of $4,200 a year, the taxable wage contemplated in this legislation.

In a report to the Secretary of Health, Education, and Welfare, the consultants on extension of old-age and survivors insurance recommended the following: "Cover cash wages in hired farm work, regardless of the number of days the individual works for a single employer, and remove the exclusion of workers employed in cotton ginning and the production of gum naval stores." This recommendation would provide old-age and survivors coverage for all agricultural workers employed in the United States; we urge your committee to recommend that all workers employed in agriculture be included under OASI.

The original bill introduced by Congressman Reed of New York provided that all workers employed on farms earning $50 per quarter from a single employer would be covered by old-age and survivors insurance. If this proposal had been enacted, then at least three-fourths of the Nation's farm workers would have been eligible for old-age pensions. However, as H. R. 9366 was passed by the House of Representatives the amount was increased to $200 per calendar year from a single employer. If this should become law practically all of the workers employed in seasonal agriculture, commonly known as migrant workers, will be as effectively excluded as they are today. Almost a million of the Nation's agricultural laborers may thus be excluded unless the bill adopted by the House of Representatives is changed.

The majority of workers employed in agriculture are hired by larger farmers who keep books and records and for whom it would be no hardship to make these social-security deductions, even though such workers may be paid for only a few hours or days of work. As perhaps some of the representatives of the employers may have informed this committee, many seasonal workers are hired through labor contractors or crew leaders and the actual farmer never has any contact with the individual worker. Many such labor contractors enter into agreements to supply all necessary labor for cultivating or harvesting a crop on a farm. They move in with a large crew, perform the work, collect the agreed upon amount from the farm owner, and then pay the worker, just as is done by a contractor in building-construction work. Some of these labor contractors are large operators hiring dozens or even hundreds of workers, for a daily, weekly, or other specified period of time. Many of these labor contractors are nothing more than racketeers preying upon both the farm worker and the farm operator. They should be held responsible for collecting the social-security taxes. It might even help in eliminating fly-by-night labor contractors if they had to account to the Social Security Administration for their employees' taxes. It could possibly be a help in collecting income taxes both from workers and their employers.

On behalf of the 2 million or more farm workers who are the lowest paid in the United States, I want to urge your committee to extend full and complete coverage under the old-age and survivors insurance provisions of the law. These people stand in dire need of this protection. Under the present laws none of the other benefits of the so-called social legislation enacted by the New Deal apply to them. They are specifically excluded from the Fair Labor Standards Act, which regulates wages and hours and from the National Labor Relations Act which guarantees to other workers the right to organize and bargain collectively. They are excluded entirely from the unemployment insurance law, and most of the States do not even include them under the workmen's compensation laws. They have truly been the forgotten men, women, and children of America of whom we used to hear so much about some years ago. The legislation before your committee to extend the old-age and survivors insurance provision of social security must cover all of the Nation's farm workers. This will be a good start in correcting some of the age-old injustices which have made our farm laborers second-class citizens who are not permitted to share with their fellow citizens the benefits of laws enacted by Congress.

DETROIT MUNICIPAL EMPLOYES ASSOCIATION, INC.,
Detroit, Mich., July 6, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

HONORABLE SIR: From information reaching our association it would appear that the Senate Finance Committee held a series of meetings on June 28 and 29, with reference to social security bill H. R. 9366 (formerly H. R. 7199). As a participating member of the National Conference on Public Employe Retirement Systems, our organization has been advised that the following changes in H. R. 9366 have been advocated and should be given serious consideration before said bill is enacted into law.

1. Assurance that the members of State and local retirement systems shall know what they are voting on in the referendum.
2. Total favorable vote of two-thirds of the eligible members instead of two-thirds of those voting.
3. Addition of a date to make the exclusion provisions more effective.
4. Determination of definition of coverage group by the State legislature.
5. Inclusion of a statement of policy that is the intent of Congress in permitting the coverage of members of State and local retirement systems by social security that the retirement rights of these individuals be not impaired or reduced.
6. Inclusion of a provision that for any coverage group of public employees who are brought under social-security coverage subsequent to effective date of said bill, the starting date for such coverage group for the computation of, and qualification for benefits, shall be a date not earlier than the first day of the calendar year in which they are brought under the social-security coverage.

As our association subscribes to the above recommendations, and as they have an important bearing on the current pension provisions affecting this area, we strongly urge that your committee amend H. R. 9366 so as to include the points herein above set forth.

Yours truly,

EDWARD W. FREY,
President and Executive Secretary.

AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE, INC.,
New York 18, N. Y., July 6, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: As chairman of the committee on migration and refugee problems of the American Council of Voluntary Agencies for Foreign Service, which comprises 28 American voluntary agencies engaged, over many years, in the field of immigration and resettlement, I am authorized to write to you in their name. Because of their work with immigrants and aliens, the agencies are concerned that legislation to be enacted shall, to the extent that it is possible, safeguard the aliens' interests and afford them opportunities for protection.

As social agencies we have a natural concern with the general welfare of people and therefore wish to express our feeling of encouragement with the provisions contained in the proposed new legislation dealing with social-security amendments as provided for in bill H. R. 9366, 1954. However, we take the liberty of writing to you with regard to specific provisions, namely, sections 107 (a) and 108 (a) because we are concerned about the effect of these on aliens and their citizen or legally resident spouses and children.

SECTION 107 (A)—DELETION OF EARNINGS DURING UNLAWFUL RESIDENCE IN THE UNITED STATES

While the provisions in this section are substantially limited to unlawful resident aliens, the agencies, which are dealing on a day-to-day basis with technical problems of the immigration law, would like to call to your attention the fact that within the immigration law, both as provided for under the 1924 act and as contained in the current Immigration and Nationality Act of 1952, it is possible to obtain adjustment of status of persons unlawfully resident within certain categories and specific regulations. In some instances adjustment of

status, when effected, relates back to the date of the original arrival of the alien and retroactively corrects his illegal status, and in other instances it is not retroactively adjusted. Also, from time to time Members of Congress introduce private bills for the benefit of aliens which effect the same result. There is still another group which presents a further complication in terms of the provisions in the bill, H. R. 9366, i. e., there are large numbers of people who have lived in this country for years but who, because of inability to locate the original record of their entry, remain in a position of not being able to have their status clarified. This creates a situation whereby it is impossible for such persons to establish their legal entry because of the absence of necessary documents. This fact will be readily understood when it is brought to your attention that a fire which occurred in 1908 on Ellis Island destroyed all records prior to that date. The language in the bill would undoubtedly affect aliens falling within the groups mentioned.

The voluntary agencies whose concern with the pending bill motivates this letter have been informed that provisions in the sections named were intended as a deterrent to wetback immigration. While we are wholeheartedly in favor of the stoppage of illegal immigration, it is our belief that the provisions referred to in the social-security amendments would not be an effective way of accomplishing such a result; there are more direct methods which can be employed to obtain this objective, among which, we may say, are various bills pending in Congress on this very issue.

In addition, we would like to say that it is recognized by social agencies that the extension of social-security benefits is designed to transfer the burden of compensation for loss of wages on to insurance programs rather than to the public-assistance rolls. It is our belief, therefore, that the provisions referred to would be entirely inconsistent with the high purpose of the bill since it can be readily foreseen that individuals might have their earnings deleted, directly depriving not only these aliens but their survivors and dependents from the insurance benefits, many of whom in all probability would be American citizens or legally resident aliens. This would have the effect of placing an additional burden on public-assistance agencies for their means of subsistence.

SECTION 108 (A)—TERMINATION OF BENEFITS UPON DEPORTATION

The provisions in this section would create hardship for the person deported who leaves behind a wife and children whose benefits would be terminated. Further, in the case of the provision that there be no lump-sum death payment for any individual who dies on or after the month of his deportation, the effect would be the same with regard to the wife and children who survive. Again, it should be here stated that the great likelihood is that the spouse and children are citizens and that certain children in most instances would be native born, but nonetheless would be deprived of the protection of the Social Security Act.

The committee on migration and refugee problems respectfully urges that this letter be received by you as chairman of the Senate Finance Committee and be given consideration by all members of your committee to whom a letter is also addressed.

Sincerely yours,

Rt. Rev. Msgr. EDWARD E. SWANSTROM,
Chairman, Committee on Migration and Refugee Problems.

OHIO CIVIL SERVICE EMPLOYEES ASSOCIATION, INC.,
Columbus 15, Ohio, July 6, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: Our association, representing 115,000 public employees in Ohio, strongly urges you to support the changes in H. R. 9366 suggested to your committee by Mr. Newell B. Walters, representing the National Conference of Public Employee Retirement Systems.

We are particularly concerned that the following provisions be seriously considered for inclusion in the bill:

1. Assurance the members of State and local retirement systems shall know what they are voting on in any referendum.

2. Total favorable vote of two-thirds of the eligible members, instead of two-thirds of those voting.
3. Addition of a date to make the exclusion provisions more effective.
4. The continuance of total exclusion of firemen and policemen.
5. Determination of definition of coverage group by State legislatures.

We will deeply appreciate your personal serious consideration of these suggested amendments as essential to the welfare of thousands of public employees who already have reasonably adequate and financially sound existing systems.

Cordially and respectfully yours,

NELSON WATKINS, *Executive Secretary.*

CHICAGO PATROLMEN'S ASSOCIATION,
July 8, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR: Because you are chairman of the Senate Finance Committee, which has before it the social security H. R. 9366, I would appreciate the opportunity to express our views on this important legislation.

The Chicago Patrolmen's Association which is a representative association for over 8,000 Chicago policemen and as members of the National Conference of Police Associations representing over 100,000 police officers throughout the entire country, we are in favor of this bill as it now stands passed before the House of Representatives for the total exclusion for policemen, which is the expression of our membership because of the following reasons.

Chicago, the second largest city and police department in our country, has a sound pension system.

For policemen age 65 is too far advanced; statistics by personnel and employment experts indicate that as public servants this group reach the maximum of service and usefulness considerably before the age of 65 years and therefore local municipalities should provide retirement allowances earlier in life. The Federal Government thru the Social Security Board, has recognized this and consequently has not placed under social security the people protected by a public retirement system. Salaries received by police members are lower than salaries received by any industry and commerce and seldom permit them to accumulate enough funds at the termination of their usefulness, therefore require larger benefits at earlier ages than social security provides. Because of the hazards of their occupation, together with the fact that they are required to work alternately days and nights, causes shorter probability of life, which should be compensated by earlier retirement ages.

Many police departments, including Chicago, have the compulsory retirement age for men less than 65 years of age, which if changed would leave policemen without benefits for the interim. I would also like to state that policemen, because of the hazardous conditions under which they work, and the honesty and integrity which is constantly expected of them, were the very first group of persons in the United States to be recognized by our Government as needing the benefits of a pension. The founders of our Nation recognized that policemen's particular type of work requires additional security for them because of the importance of their occupation relative to law enforcements is the foundation of our Government.

Any attempt to change the long-established pension system of policemen would have a very detrimental effect upon law-enforcement officers throughout the country, which in turn would have an effect on the entire population.

For the above reasons, we are asking you to support the exclusion clause for policemen.

Very truly yours,

STEPHEN D. SIMPSON,
President.

STATE DEPARTMENT OF PUBLIC WELFARE,
Wilmington, Del., July 2, 1954.

Hon. J. ALLEN FREAR, Jr.,
United States Senator, Washington, D. C.

DEAR SENATOR FREAR: With respect to the provisions of H. R. 9366 which I understand is at present under consideration by the Senate Finance Committee, I should like to reiterate my opinion that the present public assistance matching provisions should be extended beyond September 30, 1954.

I believe the Federal Department of Health, Education, and Welfare has recommended the extension of these provisions until June 30, 1955, one reason for that date being that it coincides with the end of the fiscal year of the Federal Government and most States. I believe that any change in matching formulas should, as recommended, be made at the end of a fiscal period rather than in the middle and since Delaware's fiscal year does coincide with that of the Federal Government, and I believe it is true that the same situation prevails in most States, it would seem reasonable to make formula changes effective as of June 30. In this particular instance it would seem to me that the present matching provisions should not expire as of June 30, 1955, but rather that no change in matching provisions should be made until the administration and Congress have had an opportunity to study the recommendations that will be made by the Commission on Intergovernmental Relations as a result of its extensive studies in the area of grant-in-aid programs.

As you know, Governor Boggs has appointed a Delaware committee on intergovernmental relations which is quite active and which, I believe, will make a real contribution to the solution of problems in this area.

It does seem to me not very wise to be experimenting with formula changes in public assistance matching while Federal and State commissions are actively studying these matters and should be producing soundly based recommendations in a reasonably short period of time.

It is my understanding, too, that the Federal Department of Health, Education, and Welfare has recommended another change in the matching formula for old-age assistance to be effective for persons coming on the rolls after January 1, 1955, where the individual also receives old-age and survivors insurance. That recommendation is for the Federal Government to match the total assistance payment at a 50-50 rate rather than at the higher rates applicable to the first $25 of an old-age assistance payment. I believe it is not correct, as the Federal Department of Health, Education, and Welfare has stated, that this would contribute toward a "net saving for the States." Not only would it increase the State portion of such grants over what they would otherwise be, but would increase administrative expense in earmarking those grants which supplement OASI payments as distinguished from grants which supplement other kinds of income. I should like to recommend against that change in matching formula.

I am sure you understand that I shall be more than glad to give you any further information in support of my recommendations at any time you might want it.

Sincerely,

EDGAR HARE, Jr., *Director.*

[Telegram]

PHOENIX, ARIZ., *July 8, 1954.*

Senator CARL HAYDEN,
Senate Office Building, Washington, D. C.:

Written poll of membership, Arizona State Dental Association, re H. R. 9366 resulted in an 81 percent vote with 98 percent of those voting opposed to dentists being covered under this Social Security Act. Arizona State Dental Association requests that Arizona Senators advise all Senate committees concerned of this vote. Also request that Arizona Senators keep Arizona State Dental Association informed on progress of this bill in Senate.

Thank you.

DR. WILLIAM H. TELFORD,
President.
DR. R. K. TRUEBLOOD.
Chairman, Committee on Legislation.

STATE OF OREGON,
SENATE CHAMBER,
Salem, June 24, 1954.

Hon. GUY CORDON,
United States Senate, Washington, D. C.

DEAR SENATOR: It has come to my attention that the committee hearing on House bill 9366 is scheduled to begin today, continuing through the early part of next week. I have further been informed that there are further interests in favor of deleting the proposed amendment which would permit public employees who are members of existing State or local retirement systems to now be covered by social security.

The public employees of the State of Oregon, the public administrators of the State and the State legislature have all gone on record as approving this amendment to grant to public employees the same right of dual participation as is granted the employees of private industry.

We will deeply appreciate your expressing our views to the members of the Senate Finance Committee and to the Members of the Senate when this bill is brought onto the floor.

Cordially yours,

JOHN.
JOHN MERRIFIELD.

STATEMENT OF SENATOR JOHN F. KENNEDY ON REVISIONS IN THE SOCIAL SECURITY LAW

I appreciate very much this opportunity to express my views concerning improvements in the scope and coverage of our social-security laws. As a cosponsor of S. 2260, introduced last year, I am delighted that the President's 1954 social-security proposals, as embodied in H. R. 7199, make similar important improvements in our old-age and survivors insurance program; but I am disappointed in the failure of the administration program to fully meet the retirement needs of our elder or disabled citizens.

As a result of improved mortality rates and a long-range decline in birthrates, this Nation's number and proportion of persons 65 years and older have increased tremendously during the course of this century. In 1900, only 1 in 25 were in this bracket which we have arbitrarily labeled "aged." But today, more than 1 in 12 are over age 65. Since 1900, the total population of this Nation has doubled; but our population of elder citizens has quadrupled.

Unfortunately, job opportunities for our older workers have not similarly increased. As a result, the proportion of men aged 65 and over in the labor force has dropped sharply. This is a problem with which I am well acquainted, inasmuch as in Massachusetts and New England our proportion of elder citizens is very high and their employment opportunities are increasingly difficult.

It is for these reasons that I recommend to your committee consideration of at least some of the provisions of S. 2260 which I believe more fully meet the inadequacies in our present social-security laws.

1. The most glaring gap in American social insurance today is the absence of disability benefits. The worker whose career is prematurely ended by illness or injury is, in too many cases, a burden on his relatives, his community, and the Nation. Regardless of his age, his diligence, or his earning capacity, permanent and total disability may bring impoverishment and disruption at the very time when the responsibility for support of the family is greatest. Disablement of the breadwinner not only removes a source of income from the family, but adds an extra dependent. The administration bill properly includes a provision freezing the benefit rights of those totally and permanently disabled, in order to protect the level of his benefits upon reaching age 65. But the 45-year-old amputee, facing 20 lean years before he becomes eligible for so-called retirement benefits does not find his needs met by a reassurance that his benefit status has been frozen.

2. With respect to retirement benefits, the Eisenhower program contains some constructive and necessary improvements; but unfortunately, they are still not bold enough or big enough to meet today's needs. Increasing the minimum benefits from $25 to $30 is most desirable; but even the $35 proposed under our bill falls far short of providing an adequate supplement to the retirement income of the individual worker. Similarly, increases in the maximum benefits for indi-

viduals and families are not adequately provided by H. R. 7199. The new benefit formula contained in this bill is a desirable recognition for those in middle-income brackets; but an increase in the creditable and taxable wage base from $3,600 to only $4,200 is unrealistic under today's earning levels. In order to restore to the program its 1939 status when the taxable wage base covered 96 percent of earnings, a base of $6,000—as provided in S. 2260—should be established. Finally, the provisions permitting the drop-out of 4 or 5 years of lowest earnings are a commendable feature to bring a more equitable relationship between earnings and benefits; but this can be achieved more directly and with higher benefits for the wage earner if he were permitted to select his 10 highest years of earnings in computing his retirement benefits.

3. I am delighted that the administration has seen fit to place the retirement test or so-called work clause on an annual basis, permitting $1,000 a year of out side earnings, with 1 month's benefits deducted for additional amounts earned over that sum. This is an important step in removing the harsh and restrictive features of the present law, although it seems to me that the figure of $1,200 a year—or $100 a month—would be more in line with existing needs and wage levels.

4. Finally, I strongly urge that your committee consider two features of S. 2260 which are in no way touched upon by H. R. 7199. Many persons find it difficult to understand the social-security law, and particularly do not understand the relationship between benefits and years of contributions. As you will recall, the original Social Security Act included an increment in the benefit amount for each year of work in covered employment. This was removed in 1950, thus permitting one who retires after a few years of contributions to receive the same benefits as a worker with the same average wage who has contributed for 20 years. I think that equity, and the importance of a better understanding of the law, requires a restoration of this benefit increment for additional years of paid-in service. S. 2260 proposes an increment of one-half of one percent a year as a recognition of these greater contributions. Similarly our bill provided that an individual who postponed his retirement beyond the time that he could draw benefits would receive a delayed retirement credit for the period of his postponement at the rate of 2 percent a year. A flexible retirement age should be encouraged and additional recognition should be given to those persons who forego their retirement benefits and make additional contributions to the fund instead of retiring as soon as they are eligible.

Except where rigid seniority rules apply, the older worker is among the first laid off—and the last to find another job. Increasing prevalence of compulsory retirement in industry, and the inability of our elder citizens today to qualify under the thousands of new pension plans gained through collective bargaining, accentuate the importance of maintaining the living standards and purchasing power of our older citizens regardless of the future course of our economy. It is my hope that this committee and Congress will meet what has been called the essential test of a civilized society by making adequate provisions for the decent and dignified retirement of our aged and disabled citizens.

CITY OF SALEM, OREG.,
OFFICE OF CITY ATTORNEY,
June 25, 1954.

Hon. GUY CORDON,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR GUY: It has come to our attention that numerous bills proposing amendments to the Social Security Act are presently pending in Congress, including H. R. 9366. We have had opportunity to examine the report of the Committee on Ways and Means of the House of Representatives on H. R. 9366, and have conferred with the Office of the Oregon State Public Employees Retirement System.

In 1952 the employees of the city of Salem were given an opportunity to withdraw from the public employees' retirement system and to become participants under the Social Security Act by virtue of an agreement executed between the State of Oregon and the United States Government. However, a number of employees who had already reached minimum retirement age under the public employees' retirement system were not permitted to elect whether to withdraw from that system but were prohibited from so withdrawing even though they

might otherwise have been eligible for social security benefits. We understand that this situation arose primarily because of the provisions of section 418 (d) of title 42 U. S. C. A.

In some instances the positions themselves have been held to be frozen so that even though the occupant at the time of withdrawal has since ceased to work for the city his successor is prohibited from coming under the social security system and he is not permitted either to come under the public employees' retirement system, so that the result has been that he is without pension benefits of any kind whatsoever. This state of affairs exists as regards many of the employees of the city of Salem, including its city manager, police chief, city engineer, and park superintendent.

The information we have here is that some of the bills presently pending in Congress would remedy these obvious inequities while others would not necessarily do so. We would respectfully solicit your attention on behalf of these employees to these bills.

Respectfully yours,

CHRIS J. KOWITZ, *City Attorney.*

A NEEDED AMENDMENT TO THE SOCIAL SECURITY LAW

(By Frank Loxley Griffin, Portland, Oreg.)

The problem

A retired teacher who had incidentally written some books before retirement is permitted to receive monthly social security benefits in addition to his royalties on old copyrights, provided he remains idle. But if he undertakes any new writing, even writing unrelated to the old books, or if he engages in any other independent venture, and gives considerable time to either, then, whether the new enterprise is ever completed or ever yields any income itself, the current royalties on old copyrights are treated as current income from self-employment. And, until he is 75, they will debar him from social security benefits in any month for which there is an excess of royalty income over the allowed amount of self-employment income. (This ruling was made by the highest social security authority.)

retired persons

Oddly, the Social Security Administration through its geriatrics section urges retired persons to engage in socially valuable activities, but it will fine them if they do! The unfortunate effect upon a potential author who cannot afford to sacrifice his monthly benefits is obvious; likewise the possible loss to the public welfare.

The Income Tax Division, Bureau of Internal Revenue, classifies royalties from copyrights as income from property. Moreover, if the author of a book had received instead of a copyright a deed to realty, his future income therefrom would not be classed, even by the Social Security Administration, as income from self-employment. Nor would its receipt affect his eligibility for monthly benefits.

Proposed amendment

To avoid putting a premium on idleness, and to utilize any latent ability for writing books or making inventions which may be of value to the social order, it would be well to add to the social security law an explicit provision that income from copyrights and patents obtained prior to retirement shall be deemed to be income from property and not income from self-employment.

MULTNOMAH COUNTY EMPLOYEES ASSOCIATION,
Portland, Oreg., June 14, 1954.

Hon. GUY CORDON,
Senator, Senate Office Building, Washington, D. C.

DEAR SIR: The Multnomah County Employees Association in a regular meeting on June 1, 1954, passed a motion directing me to respectfully request and urge you to use your influence to cause the new Social Security Act to be amended permitting earnings of not less than $1,200 per year in addition to the social-security allowance.

Your efforts will be appreciated by many of us in subdivisions of the Government not now covered by this act.

Very truly yours,

DALLAS E. NOLLSCH, *President.*

THE BAKER DEMOCRAT HERALD,
Forest Grove, Oreg., June 22, 1954.

Senator GUY CORDON,
Senate Office Building, Washington, D. C.

DEAR SIR: The new social security measure, as I understand, has passed the House and is now in the hands of a Senate committee. While apparently a good bill on the whole, it has one feature that seems grossly unfair to the less fortunate people who draw the smaller pensions.

The bill as described permits any retired person to earn $1,000 per year without sacrifice of any of his pension. He sacrifices 1 month's check for every $80 earned in excess of $1,000; and it applies as at present it does not to any earnings whatsoever.

This will result in a complete loss of pension by most of those drawing the minimum, which as proposed would be $30 per month or $360 per year. Adding to this the $1,000 of earnings gives him a total income of only $1,360 annually. This is not a living income, particularly if he has dependents or a wife under 65.

Most of these people are drawing only the minimum pension because of the incompleteness of the law during their productive years, although they were doing useful and important work. The smallness of their pensions is their misfortune; but certainly they are entitled to that little.

By contrast, the pensioner drawing $80 per month, by earning the allowable $1,000 has an income of $1,960 without loss of any pension. The one receiving only $30 cannot attain such an income without earning all of it and sacrificing all of his already meager pension. Thus he is hit two ways.

This injustice could be made completely fair and without any appreciable strain on the pension fund by establishing a livable norm of, say, $2,000 and subtracting from it whatever the person's pension happens to be, allowing the remainder in earnings without penalty. This would enable the small pensioner to live and still receive his small pension.

I should appreciate your judgment in the matter and any help you may see fit and find opportunity to give it.

Very sincerely yours,

W. L. ARANT, *Associate Editor.*

RECOMMENDATION OF MULTNOMAH BAR ASSOCIATION COMMITTEE ON SOCIAL SECURITY FOR LAWYERS

It is recommended that Multnomah County Bar Association resolve that they favor compulsory inclusion within the social-security program of self-employed members of the legal profession.

The basic reason why the committee makes the recommendation is that we believe that inclusion within the program would be financially beneficial to at least a majority of the self-employed members of the bar.

Under the present program the maximum contributions for self-employed persons is $108 per year. The maximum benefits are $165 a month for a wife and 2 or more children under 18 and $85 per month after age 65, providing you earn less than $75 a month and with no conditions at age 75.

Your committee is also of the belief that governmental social security is now in 1954 accepted by a great majority of the people of the United States and that its governmental or political status is no longer a relevant matter.

JEAN L. LEWIS,
Secretary-treasurer, Multnomah Bar Association, Portland, Oreg.

CHICAGO, ILL., *July 7, 1954.*

Hon. EUGENE MILLIKIN,
Chairman, Senate Finance Committee:

Respectfully urge favorable consideration by your committee of H. R. 9366 in respect to its provisions extending coverage and increasing benefits under Federal old age and survivors insurance. This will reduce costs in Illinois and other States for old age, dependent children, and disability public aid and provide better security for these groups through something they have helped pay for. At present too many of them have to rely on the means-test assistance programs for a disproportionate part of their subsistence. In respect to extension of the so-called McFarland amendment governing the formula for Federal aid to the States for the public assistance programs, we should like to see the present formula extended indefinitely rather than only through September 30, 1955, as proposed in

H. R. 9366. The proposed terminal date will place at a distinct disadvantage the majority of States like Illinois which operate under biennial appropriations with legislatures meeting in the spring of 1955 and determining State expenditures for a 2-year period ending in most instances on June 30, 1957. These States cannot plan in the 1955 legislative session with the Federal aid formula uncertain after September 30 of that year. Continuation of the present formula indefinitely is therefore preferred until an acceptable formula can be derived that will meet with the approval of the governors and welfare administrators of the States. However, if indefinite extension cannot be agreed upon, we urge the terminal date be moved ahead to July 1, 1957. I shall appreciate your having contents of this telegram read into the record at the public hearing which I understand is scheduled for Friday of this week.

GARRETT W. KEASTER,
Executive Secretary, Illinois Public Aid Commission.

CONCORD, N. H., *June 25, 1954.*

ROBERT W. UPTON,
Senate Office Building:

The New Hampshire Retired Teachers Association is concerned about H. R. 9366. We urge your support of protective measures in the bill which will completely insure the rights and privileges of teachers in sound retirement systems.

ELIZABETH J. DONOVAN, *President.*

STATEMENT OF HON. ROBERT W. UPTON, A UNITED STATES SENATOR FROM NEW HAMPSHIRE, FAVORING REFERENDUM PROVISIONS OF H. R. 9366 FOR STATE AND MUNICIPAL EMPLOYEES COVERED BY STATE RETIREMENT SYSTEMS

In New Hampshire, the State and municipal employees who are members of State retirement systems generally are opposed to coverage under the social-security law at this time. They prefer the State retirement systems to old-age and survivors insurance under social security. There are 4 State retirement systems in operation, the 2 largest of which are the State employees retirement system and the teachers retirement system. The other two retirement systems cover policemen and firemen employed by the municipalities. These systems have been tested by time, having been in operation for more than 15 years, and have been found generally satisfactory to the members.

The referendum provisions of H. R. 9366 have the approval of representatives of the New Hampshire State employees retirement system and the New Hampshire State Teachers Association. Lawrence E. Cotter, president of the New Hampshire State Employees Association, in a letter to Senator Millikin, dated June 24, 1954, endorsed the referendum provisions. Elizabeth J. Donovan, president of the New Hampshire Retired Teachers Association, in a telegram under date of June 25, also endorses the referendum and urges that the "rights and privileges of teachers in sound retirement systems" be preserved, as does Constance J. Timlin, chairman of the retirement committee of the Concord Teachers Association, in a letter dated June 25, 1954. These letters are filed herewith as typical of the letters reaching me favoring retention of the referendum provisions of H. R. 9366. The firemen and policemen are likewise satisfied with the provisions of H. R. 9366 as they prefer their own retirement systems to old-age and survivors insurance under social security. Since the State and municipal employees in my State prefer the State retirement systems to social security, I urge retention of the referendum and other provisions of H. R. 9366 relating to members of State retirement systems.

CONCORD, N. H., *June 25, 1954.*

HON. ROBERT W. UPTON,
United States Senate, Washington, D. C.

DEAR SENATOR UPTON: Since hearings on H. R. 9366 opened on June 24 before the Senate Finance Committee, I know that Concord teachers feel a bit apprehensive about the outcome. They will be grateful for any support that you can give to those who feel that the independent retirement systems are worthy of backing.

We in Concord feel strongly that it is vital to the financial security of teachers now enrolled in the existing retirement systems to see that features of the referendum are neither weakened nor deleted. It is especially important that any referendum should poll two thirds of the total active membership of any and every association of teachers in order that it be a completely democratic procedure.

Concord teachers deeply appreciate your keen interest in all matters pertaining to their welfare.

Respectfully yours,

CONSTANCE J. TIMLIN,
Chairman, Retirement Committee, Concord Teachers Association.

STATEMENT ON BEHALF OF THE AMERICAN ASSOCIATION OF SOCIAL WORKERS BY ELEANOR M. HADLEY, WASHINGTON REPRESENTATIVE

The American Association of Social Workers representing some 13,500 social workers throughout the United States is gratified that the administration has chosen to submit proposals to the Congress which basically strengthen and improve OASI as "the cornerstone of the Government's program to promote the economic security of the individual." The association is profoundly persuaded of the wisdom of the President's words:

"The human problems of individual citizens are a proper and important concern of our Government. To help individuals provide for * * * (economic security for their old age and economic security for their families in the event of death) are proper concerns of all levels of government, including the Federal Government."

Study of income distribution in the United States indicates why it is esential that government help individuals with their problems of economic security in old age or in the event of death for a large proportion of families in the United States do not earn enough in their working years to be able, on their own without any outside assistance, to take care of these contingencies. In 1941, 30 percent of American families had incomes under $2,000; in 1947, 25 percent; in 1950, 22 percent. Comparable figures for the proportion of families with incomes under $3,000 are 52 percent, 44 percent, and 40 percent.[1]

There are at present 2 programs for alleviating economic insecurity in old age or in the event of death of the breadwinner: OASI and OAA. AASW is convinced that the administration is wise in placing primary reliance on OASI with OAA's role that of caring for residual situations. OASI, contributory as it is in character, enables citizens to draw benefits as an earned right, and, accordingly, AASW is deeply gratified that the administration proposed measures for strengthening and extending OASI.

Comments on specific features of the bill bollow.

EXTENSION OF COVERAGE

Farm operators

Farm operators—some 3.5 million—constitute the single largest group of citizens excluded from the OASI system. The results of this exclusion have been graphically shown to members of this committee by the Secretary in her testimony where she has pointed out the startling comparison of OAA rolls in rural and urban counties. The Secretary showed that as of December 1953, 31 percent of the aged in farm counties were receiving OAA payments and only 13 percent OASI benefits whereas in nonfarm counties 17 percent were receiving OAA payments and 30 percent OASI benefits.

The fact that OAA rolls in rural counties are almost double the size of the rolls in urban counties does not indicate that farmers, the historical symbol of independence and individualism in our culture, are less self-reliant than nonfarm persons or that farm people look to the Government rather than to themselves to make ends meet. It indicates that farmers do not have the opportunity open to urban persons to provide for independence in old age or for survivors through a contributory system of social insurance.

Farming is an insecure occupation. The equivalent of unemployment stalks the fields in the form of uncertain cash income. One needs only to look at a comparison of the income of farm families and nonfarm families to see this.

[1] U. S. Department of Commerce, Income Distribution in the United States, Washington, D. C., 1953, pp. 82, 84, 85.

Income distribution for farm-operator families and nonfarm families for the years 1944 and 1947 is listed below.[3]

	1944				1947			
	Under $1,000	$1,000 to $1,999	$2,000 to $2,999	$3,000 to $3,999	Under $1,000	$1,000 to $1,999	$2,000 to $2,999	$3,000 to $3,999
Farm-operator families	18.4	27.4	30.5	13.3	12.2	24.2	19.9	14.7
Nonfarm families	2.9	14.0	22.2	23.2	2.5	11.1	17.9	22.6

Study of these figures indicates why close to double the proportion of farm families are on OAA rolls. In 1944 at the height of farm prosperity, over 45 percent of farm families had incomes under $2,000, while the comparable figure for urban families was 17 percent. Similarly, in 1947 it will be noted that over 35 percent of farm families had incomes under $2,000 while only 13 percent of urban families had incomes at this level.

AASW has noted with interest the findings of the sample studies done by the Department of Agriculture in four States on the attitude of farm operators toward OASI. In Connecticut more than half of the farm operators interviewed favored inclusion of farm operators in OASI, in Wisconsin 60 percent, in Kentucky 77 percent, in Texas 83 percent. As would be expected from the income and OAA statistics cited above, farmers put their inability to protect themselves from financial emergencies brought about by old age, ill health, economic depression as the major reasons for favoring inclusion.

The need for inclusion of farmers can be made in terms of the dignity which goes with an earned right; it can be made in terms of tax burden. Both are persuasive to the AASW.

The compromise position between coverage and no coverage of farm operators, that is, voluntary coverage, has been put forward by some. AASW does not believe this is either a feasible or desirable solution. Voluntary coverage is difficult administratively; it is likely to result in continued high relief rolls with consequent needs tests and burden on the general tax revenues. AASW strongly urges this committee to include farm operators within OASI as recommended by the President.

Farm labor

AASW also urges the committee to give favorable consideration to the inclusion of more than regularly employed farm laborers. The administration has taken an important forward step in urging abandonment of the woefully complicated formula put into the 1952 amendments for coverage of farm laborers and substituting a simple, clear requirement of $50 from 1 employer in 1 quarter. The association regrets that the House Ways and Means Committee did not see fit to accept the President's recommendations because there is no employed group in the American economy more in need of help toward economic security in old age and in the event of death of the breadwinner than farm laborers who are not year-round workers. The Department of Commerce has done no study of the income distribution of these families but what sample studies the Department of Agriculture has undertaken clearly indicate the bottom-income character of these families. Whereas in 1947 better than one-third of farm-operator families had incomes under $2,000, the comparable figure for seasonal farm labor would likely be well above two-thirds.

Inclusion of large numbers of farm laborers would obviously make paperwork for farm operators. And the Department of Agriculture sample studies on farmer attitudes toward OASI indicate that large numbers of farm operators are not keen to take on this paperwork. This is understandable but the decision before this committee devolves upon the relative weight to assign the dislike of paperwork by farm operators on the one hand and, on the other, gains to be derived from providing farm laborers the opportunity of an earned right to economic security in old-age and survivorship situations and the relief to the tax rolls. The American Association of Social Workers believes that the farm

[3] U. S. Department of Commerce, Income Distribution in the United States, pp. 82, 84.
NOTE.—Data are for "family personal income" defined to include such items as "food and fuel produced and consumed by farm-operator families," "gross rental value of farm dwellings," and "imputed net rental value of owner-occupied nonfarm dwellings."

laborers' desperate need for economic security is of considerably greater importance than the paperwork to which it would put farm operators, the same sort of paperwork to which all other employers in the American economy are put. It is noteworthy that employers now within the system have found their fear of paperwork considerably exaggerated.

The most disadvantaged group of seasonal farm laborers are the migrants. Commissions beyond number have been set up to investigate the problem of migrants; Presidents since Herbert Hoover have been making recommendations. President Eisenhower in his budget message in January observed:

"The social and economic plight of migratory farmworkers has been studied repeatedly. Up to now little positive action to better these conditions has been taken by the Federal Government."

In his recommendation of coverage of farm laborers upon earnings of $50 from 1 employer in 1 quarter, President Eisenhower has put forward an action measure which includes migrants. The version adopted by the House largely excludes them. It is time the endless talk about migrants cease and action were taken. AASW earnestly requests this committee to include migrants within the OASI system.

ADEQUACY OF BENEFITS

If OASI is to perform its function of economic security in old age and to survivors, benefits must be large enough when combined with personal savings and private insurance so that at minimum, a subsistence sum is produced. The proportion of OASI beneficiaries drawing OAA payments indicates that benefits are low. In February of this year, 12 percent of OASI beneficiaries were receiving OAA payments.

Benefit amount is determined by a number of factors: extent of covered employment, earnings base, computation of average monthly wage, formula, and minimum and maximum levels.

If the Senate adopts the coverage-extension recommendations of the President, all major areas of employment will be covered with the result that average earnings will not be depressed by periods in noncovered employment.

As a minimum action, AASW endorses the administration proposal to raise wages to $4,200, though the association finds it difficult to understand why the administration proposed such a small increase. The wage base is the single most important factor in determining the size of the benefit payment. Benefit payments currently average $50 which is the same amount as average OAA payments. This is clearly not a large supplementation to private sources. The Ways and Means Committee report points out that "over three-fifths of male workers regularly covered by the program now earn more than $3,600" and is frank to admit that with the base raised to $4,200, somewhat better than two-fifths of regularly covered male workers will be earning salaries in excess of this amount. Thus a large proportion of wages is excluded. Furthermore, much pride is taken in the fact that the American system, by contrast to the flat rate prevailing in the Commonwealth countries, is a wage-related system. It is obvious that there is not much wage relatedness in a system wherein 60 percent of the regular male workers are earning in excess of the wage base. AASW urges this committee to give favorable consideration to a base figure higher than the $4,200 recommended by the President.

The administration's proposal to permit beneficiaries to drop the 5 lowest years from computation of average monthly earnings is a worthy one. Illness, unemployment, poor earning years occur in every person's working career, and it is socially desirable that these events not be a serious depressant on average earnings.

AASW endorses the administration's proposal to modify the formula by making 55 percent applicable to the first $110 of income; and by raising the percentage on the remainder of the wage, increased to $240, from 15 percent to 20 percent.

AASW endorses the increase in minimum and maximum payments though notes that with the increase the minimum benefit is but 60 percent of the average OAA payment. A $30 minimum benefit assures continued reliance on OAA which AASW assumes the administration is trying to get away from. Question is accordingly raised as to whether the minimum figure should not be higher.

DISABILITY FREEZE

The AASW believes that the administration has taken a forward step in protecting the benefit rights of those who are disabled. But freezing benefits which will come due at age 65, important as this is, is not enough. In cases of

total disability, protection for the years between the time of disability and the age 65 is needed. So likewise is assistance needed during short-term disability. The AASW is disappointed that the administration, in submitting its forward-looking proposals failed to provide for this.

Under existing legislation, permanent and total disability is a category of public assistance. Certainly, if Federal assistance is on a categorical basis, it is good to have a category for disability, but is assistance to be preferred to contributory social insurance? The American Association of Social Workers firmly believes that to the extent that hazards can be reduced to an insurance basis, such is greatly to be preferred to welfare payments.

Adding disability to our insurance system is not a novel idea. It has been considered in past Congresses and the House in 1949 passed a bill providing for it. Further, it has been tried outside the OASI system and found sound. Disability is a successfully functioning part of the Railroad Retirement Act and the Federal Government has successfully extended it to its employees. It is the earnest request of the American Association of Social Workers that this committee add disability to this bill. Actuarians estimate that disability insurance would add one-half of 1 percent of payroll to the costs of the system. AASW endorses the required tax increase on payrolls.

RETIREMENT TEST

The administration has proposed a liberalization of the retirement test by permitting wage earners like the self-employed to calculate it on an annual basis and by increasing the permitted amount to $1,000. AASW endorses both of these proposals.

DEDUCTION FROM BENEFITS IN SITUATIONS WHERE DEPENDENTS AND SURVIVORS ARE RESIDING ABROAD

Section 103 (1) conditioning survivor benefits on recentness and extent of residence in the United States is an anomalous provision in a bill characterized by fairness and principle. What possible difference can it make to the functioning of the system where a beneficiary chances to be residing? AASW most strongly opposes this capricious and arbitrary requirement which was put in by the House. The association is pleased to note that the administration is opposed to this provision in the bill.

TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

H. R. 9366 provides a 1-year extension of the 1952 matching formula, that is, to September 30, 1955. Mrs. Hobby in her testimony before this committee proposed extension to June 30, 1955. Inasmuch as the extension is required by the need for review of the public-assistance program, AASW is of the view that 9 months is not sufficient for this. The Intergovernmental Relations Commission which is making a study of public assistance will not be submitting its report until March 1955. When the report is submitted, it will need to be discussed and debated, not only at the Federal level but among the States. For this reason, AASW believes that June 30, 1957, would be a more appropriate extension date but in any case should not be earlier than September 30, 1956.

DECREASED FEDERAL GRANTS WHEN OAA IS SUPPLEMENTARY TO OASI

In her testimony before this committee, Mrs. Hobby recommended that Federal grants for OAA payments which are given in supplementation of OASI benefit rights be on a straight 50-50 basis rather than the higher rate of 80 percent applicable on the first $25 of the grant. Inasmuch as the whole public assistance program is under review by the Intergovernmental Relations Commission, AASW is opposed to such a proposal at this time. The association believes it would be wiser to consider this provision when the Commission has submitted its recommendations and the public-assistance program is under general debate.

THE EVANGELICAL LUTHERAN CHURCH,
OFFICE OF THE GENERAL SECRETARY,
Minneapolis, Minn., July 8, 1954.

DEAR SENATOR: Following is a resolution adopted by the Evangelical Lutheran Church at its 1954 general convention regarding the Reed bill extending social-security coverage. We submit it for your consideration.

SOCIAL SECURITY FOR MINISTERS

Whereas the extension of social-security coverage to ministers is being considered by the Congress of the United States;

Whereas the Evangelical Lutheran Church has gone on record favoring such extension;

Whereas certain specific features of such proposed legislation now need further expression from the church;

Whereas social security coverage for ministers should provide for freedom of choice to the ordained minister in order that the principle of separation of church and State be kept inviolate: Therefore be it

Resolved, That the extension of social security coverage to ministers should include the following points:

(1) That the plan adopted shall be on a voluntary self employed basis which will make it permissive in character to avoid any possible taxation or supervision of churches by the State;

(2) That the act safeguard the conscience of the individual minister, and that the action of a minister shall in no way be binding upon his successor in office. No compulsion shall be involved;

(3) That in the interest of the soundness of the plan, we are willing that certain safeguards, which are calculated to make the application of the act practical, be provided, such as that of a group inclusion (for instance, there might be a provision that ministers must choose whether or not they desire to be included within one year after ordination. This would insure a wide age range within the group and would counteract any tendency to have enrollment simply on the part of those approaching retirement age).

Your consideration of the viewpoints herein expressed in formulating social-security legislation in this area will be appreciated.

Sincerely,

O. H. HOVE, *General Secretary.*

RADIO-ELECTRONICS-TELEVISION MANUFACTURERS ASSOCIATION,
Washington, D. C., July 12, 1954.

Re H. R. 9366.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: This letter is submitted on behalf of the Radio Electronics-Television Manufacturers Association in reference to H. R. 9366, which is presently pending before your committee. As you know, our association consists of about 387 manufacturers of radio and television sets and other electronic equipment.

The board of directors of this association, by formal vote on June 17, 1954, endorsed H. R. 9366. We respectfully recommend that it be given favorable consideration by the committee.

We are concerned with two problems that are basic to social-security legislation, i. e., coverage and financing. We believe that social-security benefits should be extended to a greater number of persons than are presently covered and that the financing of the benefits should be on a pay-as-you-go basis. The first objective, extended coverage, is accomplished by H. R. 9366; that bill, however, does not formally endorse the pay-as-you-go principle.

Extension of coverage to a greater number of persons, as provided for in H. R. 9366, is consistent with what should be a basic principle underlying all social-security legislation, namely that it provide minimum protection against destitution in old age to all segments of the population. The benefits of coverage should not be extended to some groups and denied to others. Everyone should have the opportunity to receive social-security benefits regardless of

choice of occupation. H. R. 9366, if enacted, would make a substantial contribution to the achievement of that objective.

With respect to pay-as-you-go financing, we believe that sufficient taxes should be collected each year to defray all costs of social-security benefits paid out during that year. In that way, full and immediate recognition will be given by the public and by Congress to the financial responsibilities which are inseparable from the payment of social-security benefits. The present OASI fund of approximately $20 billion could be maintained for the purpose of serving as an insurance protection against any sudden increased demands for social-security benefits not immediately supportable by increased taxes. Although the system is substantially on a pay-as-you-go basis at the present time, we believe it desirable that Congress officially recognize that principle as being the basis for financing all future social-security benefits.

In conclusion, we wish to congratulate the Members of Congress who are responsible for the intensive and detailed work which has been contributed toward improvement of this country's social-security program. We endorse H. R. 9366 and respectfully recommend that it be enacted into law.

Sincerely yours,

GLEN McDANIEL, *President.*

AMERICAN SOCIETY OF CIVIL ENGINEERS,
Washington, D. C., July 12, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: The American Society of Civil Engineers with 37,000 members, one of the constituent societies of Engineers Joint Council, desires to express for the record its independent concurrence in the testimony which was presented on H. R. 9366 by Engineers Joint Council.

While we favor liberalization and extension of the social-security system, we believe that the problems involving self-employed professional workers have not been well thought out—and that a disservice will be done them and to the public interest by enactment of the proposed bill unless amended. H. R. 9366 seems to be predicated on the desirability of encouraging complete retirement at age 65. We believe that such full retirement of professional men at that age is contrary to the public interest, particularly during the critical and chronic shortage of professional engineers.

The existing law is generally quite equitable to our members, both those who are covered and also those self-employed who are not covered. We believe any new legislation should preserve and not destroy these equities.

As to the covered workers who have reached age 65, receive social security, and work part time in noncovered employment: these men have adapted their careers to the regulations laid down in the present social-security law. To require them to forfeit the social-security payments currently being received seems quite unjust in view of the fact that one who receives "unearned" income of unlimited amount will not be required to forfeit his social-security benefits.

We believe that before self-employed professional men are included on a compulsory basis, a more realistic analysis of their situation with reference to retirement should be made. Earnings high enough to support some reasonable standard of living should be permitted. While the manual worked and the business employee and executive accumulate a pension fund or amass capital to permit retirement at age 65 when their productive capacity lessens, the corresponding asset of the selfemployed professional worker in lieu of such accumulation is customarily simply his ability to continue in highly productive work for another 5 years or more. To ignore that fact is unjust to him. Surely it is in the public interest to use this productive capacity, under some provision such as is provided in the existing social-security law, or by permitting accumulation of further benefits for a delayed retirement.

If complete retirement at age 65 is the objective sought by this legislation, then professional engineers, during their shortened working life, will undoubtedly have to concentrate on higher earnings, sufficient to amass an ample retirement fund so that they may be assured of having "unearned" income which does not subject them to penalty rather than "earned" income which subjects them to this new and anomalous discrimination under the proposed bill. In terms of the waste of valuable manpower, the implications are serious.

The current engineer shortage which has had and now is having a harmful effect on our economy will be aggravated by covering self-employed engineers on a compulsory basis.

We believe that any changes affecting professional men should receive far more adequate study before being enacted into law in order to avoid those consequences which seem so repugnant to the American tradition.

Respectfully submitted.

JOSEPH H. EHLERS, *Field Representative.*

STATEMENT OF THE CONFERENCE OF STATE MANUFACTURERS ASSOCIATIONS ON H. R. 9366, SUBMITTED TO THE SENATE FINANCE COMMITTEE

This statement is made on behalf of the Conference of State Manufacturers Associations, which includes the statewide manufacturers associations whose names are appended at the end.

These associations oppose the interrelated proposals for increasing OASI's tax and benefit base from $3,600 to $4,200 and providing super OASI protection for persons with $4,200 annual earnings. These proposals raise a fundamental issue. It is whether OASI is to expand beyond what the Secretary of Health, Education, and Welfare has described as "its purpose of providing basic retirement and survivor protection and reducing the need for public assistance to the lowest possible level."

This public purpose was the sole basis of OASI's validation by the Supreme Court. Like public assistance, OASI was established as a public program for the purpose of mitigating the public problem of destitution, which the Court held to be of such dimensions as to be of national concern. Otherwise the Congress would have had no authority to enact the legislation. As it was, the Court upheld the authority of Congress to create OASI under the welfare clause of the Constitution.

The basis for validating OASI's creation likewise limits its permissible scope. How could OASI be defended if its wage and benefit base is extended progressively up the earnings scale to benefit levels unwarranted by its public purpose?

OASI's purpose distinguishes it from public and private staff pensions. Civil service pensions are justified to the Government's taxpayers and the private concern's employee pensions to its stockholders because of their purpose of securing and retaining efficient employees. This purpose applies to high paid as well as low paid, and is equally served in providing half pay to the head of the business and to the janitor. But OASI's purpose of minimizing the social problem of destitution does not warrant its provision of more than a minimum floor of protection to anyone.

What maximum benefit levels are warranted by OASI's purpose is a matter of judgment based on a variety of considerations. However, it can hardly be said that benefits too large for persons making under $4,200 per year are necessary in meeting the social problem of destitution. Can it be shown that the public welfare justifies taxing young working men and women at all earnings levels to provide special added protection to persons who have been earning $4,200 or more, and whose own OASI taxes have been merely a token payment toward their benefit costs? But that is exactly what the proposed benefit schedule and $4,200 wage base would do. The maximum benefits would be reserved for persons whose earnings equalled or exceeded the proposed $4,200 benefit and tax base. They would be paid to persons with as little as 18 months coverage.

H. R. 9366, in providing a $4,200 benefit and tax base, is a temporary compromise with other pending bills providing a $6,000 wage base. Both proposals mark a definite trend toward all-out compulsory state protection, which can be justified only by socialist philosophy in a socialist state.

In support of the proposed $4,200 wage base it has been pointed out that Congress initially established a $3,000 annual wage base for OASI that resulted in taxing and providing benefits based on the entire earnings of all but a small percentage of persons covered—that an equivalent wage base today would be some $6,000. But this argument fails to give the reason for the original earnings base. As we shall see, this was due to circumstances which have radically changed. Nor do advocates of the change point out that if the 1939 benefit formula had been extended to a $6,000 wage base it would be currently producing about the

present maximum benefits—and paying them only to the very small number who would have paid OASI taxes on $6,000 per year since 1939. The great majority of individuals presently receiving maximum benefits on the basis of recent wages would, instead, be receiving from $50 to $65 per month under the 1930 formula, and many would be receiving minimum benefits. While the benefit distribution pattern might gratifyingly reflect variances in earnings, the benefits themselves would not serve OASI's purpose as effectively as do benefits under existing law.

The basic reason for the original $3,000 wage base was that under the then economic situation in 1935, it was thought necessary to tax practically all the payroll to finance even a modest floor of protection. The President's Committee recommended a system paying maximum benefits on $150 per month earnings ($1,000 wage base), exempting white collar workers who had earnings over $3,000 per year, taxing all the pay of persons covered, and also providing an eventual OASI subsidy from general revenues. But Congress adopted OASI as a system to be financed wholly by payroll taxes, and in doing so, covered payrolls without exempting higher paid employees, but limiting the individual's tax base to $3,000 per year.

Under the 1950 amendments monthly primary benefits based on the first $600 of the $3,000 wage base were $20 plus 1 percent per year covered, and each additional $600 per year increased this benefit by one-fourth—with the $3,000 per year man paying five times the taxes the $600 man paid and receiving twice the benefits.

The long run effect of this wage base and benefit formula was expected to so distribute and limit benefits that they could be entirely financed from the OASI tax revenues. That the formula would result in tax revenues from some OASI taxpayers far above the cost of their own protection is very apparent when we use the actual premium needed to provide individual OASI benefits as a measuring rod. Actuarial study No. 34 of the Social Security Administration shows these actual premiums. Persons entering OASI at 20, and paying 3 percent of their average monthly wage (the maximum employee tax rate originally scheduled) would pay the premium for the death benefit and a monthly primary benefit of 39 percent of their average monthly wage, if retirement is at 65, and 55 percent if retirement is at 68. As originally provided, the $50 per month man covered a lifetime would have received a benefit of $29—58 percent of his average wage. His taxes alone would have paid the premium on a somewhat smaller benefit. A large part of his employer's tax was thus expected to help finance dependent's benefits. The monthly benefits scheduled for a single man with $250 or more wages (the full $3,000 annual wage base) after a lifetime of coverage would have been 23 percent of his average monthly wage. His taxes and his employer's taxes would have paid the premium on a benefit of 78 to 110 percent of his average wage. So OASI expected a large profit on his scheduled benefit of 23 percent of his average wage. Thus his coverage with a $3,000 wage base was extremely profitable to OASI. It would have been substantial even if he were married and thus had maximum OASI protection.

That this profit was needed for short-term coverage and low-wage people is quite apparent when we examine the actual benefit premiums required. For example, the actual level monthly premium for persons covered 15 years is almost 6 times, and for persons covered 5 years over 20 times, the premium of an individual with the same monthly pay covered a lifetime.

Thus, even if the maximum tax rate had been in effect, short-coverage people would pay only a fraction of their actual premium. However, even the tax rates of those retiring after short coverage have been much less than will be the tax rates of the long-coverage individual.

Due to improved economic conditions and higher wages, particularly in the lower brackets, it was possible to nearly double OASI benefits by the 1950 and 1952 amendments. Estimates of future benefits and taxes indicated that it was not necessary to also double the wage base to secure sufficient revenue to keep the system within its taxes. In fact, the Finance Committee and the Senate refused to extend the $3,000 wage base at all. Its extension to the present $3,600 was merely one of several conference compromises of House and Senate differences. The House agreed to the benefit formula of the Senate, which omits variances with length of earnings. This wage-base compromise obviously had the effect of further burdening younger employees making over $3,000. As previously mentioned, their taxes at a 3-percent rate would provide primary

benefits of from 39 to 55 percent of average wage, but their primary benefits based on their average wages between $3,000 and $3,600 are 15 percent.

H. R. 9366 proposes to extend the wage base another $600, with the part of the primary benefit based on that $600 equal to 20 percent of the additional $50 per month thus taxed. This again would prove financially profitable to OASI at the expense of young employees. As supplement A to this statement, there is attached a brief analysis of how extending the wage base affects individual equities.

In contrast with the economic situation in 1939, when a wage base designed to tax some 90 percent of covered payrolls seemed necessary in financing minimum OASI protection, the proposed extension is not currently necessary, in view of the present wage levels of even the lower pay brackets. Even more important, the proposed benefit schedule integrated with the $4,200 wage base would provide benefits to individuals earning $4,200 or more at levels unwarranted by OASI's basic purpose, and would add unnecessarily and unfairly to the tax burdens of young people whose taxes would be increased.

A principal argument advanced for expanding the wage base is that this is necessary to maintain a principle that OASI benefits should reflect differences in earnings—that increasingly large percentages of persons make in excess of $3,600 and thus will receive maximum benefits which do not vary with their earnings.

As a matter of fact, OASI benefits reflect variances in dependency situations of insured at least equally with their wages; also, while some benefits are limited by the wage base, others are fixed by other OASI provisions such as individual and family minimum and family maximum limitations. A brief analysis of the effects of these various factors on OASI benefits is attached to this statement as supplement B.

If it were deemed sufficiently important, a considerably larger number of otherwise flat low benefits could be varied by eliminating the $25 minimum, which H. R. 9366 proposes to change to $30, and make the low portion of the benefit formula $25 plus 30 percent of the first $100 of average wages. This would recognize all wage variances in low-average wage cases rather than paying the proposed flat $30 minimum.

As has been pointed out, the question of increasing the maximum wage base involves considerations of OASI's appropriate maximum level of protection and also involves the related question of the earnings levels at which persons should qualify for the maximum.

Our position is that OASI's maximum protection should be determined on the basis of its public purpose, and that the maximum level should be no higher than necessary to minimize the number who would otherwise need public assistance. We cannot believe that benefits at this maximum level would be too high for individuals earning $3,000, unless and until money values are debased by a wild inflation.

So long as the dollar maintains anything like its present purchasing power, we do not believe that increases in wage levels afford any basis for either increasing maximum benefits or the $3,600 wage base.

In view of the foregoing considerations, we strongly oppose extending the present $3,600 earnings base.

Supplement A

Individual equities and the proposed wage-base extension

Any wage-base extension and accompanying extension of the benefit formula to earnings thus added for benefit purposes affords additional windfall benefits to persons with relatively high earnings who will retire during the next 2 or 3 decades, as their added taxes would pay only a small part of the increase. However, extending the wage base greatly increases the tax burdens of individuals affected, who are covered a lifetime, without a corresponding increase in benefits.

While we may justify taxing the young to provide benefits for the aged required by OASI's purpose, there can be no justification for taxing them to support unnecessarily high benefits for persons who have had relatively high earnings, as is presently proposed.

Due to the weighting of the benefit formula in favor of persons with low monthly earnings, extending the annual wage base results in a benefit increase relatively small in relation to the additional taxed wages. The wage base and

maximum benefits in 1939, at present, and as proposed by H. R. 9366 are shown below in tabular form, giving the monthly primary benefit as a percentage of the monthly average wage.

Wage base	Taxed monthly wage	Monthly benefits as percent of monthly wage		
		1939 law	Present law	Proposed
$3,000	$250	[1] 22.3	31.0	35.4
3,600	300		28.3	32.8
4,200	350			31.0

[1] 45 years' coverage.

Primary monthly benefits actually purchasable with male employee's own taxes as a premium, assuming no dependents and entry into OASI at age 20:

If tax rate is—	And retirement at 65, single benefit is—	And retirement at 68, single benefit is
	Percent	*Percent*
3 percent	39	55
4 percent	52	74

It will be noted from the above that under the 1939 law, the single individual with maximum coverage, assuming his tax rate was 3 percent as scheduled and he retired at 65, would pay the premium on a monthly benefit of 39 percent of his average wage, but his actual benefit would have been 22.3 percent of his average wage—about 62 percent of what his tax as a premium would have bought.

H. R. 9366 proposes to pay this individual a monthly benefit of 35.4 percent of his average wage if he has a monthly average wage of $250. But at the same time, he would pay a tax of 4 percent instead of 3 percent. This 4 percent tax would pay the premium on a monthly benefit equal to 52 percent of his monthly average wage—so his benefit is slightly over 66 percent of what his taxes have bought. He would be slightly better off than under the 1939 formula.

But if his average wage is $350, under H. R. 9366 his benefit would be 31 percent of his average monthly wage, while his taxes would pay for a benefit of 52 percent of his average monthly wage. So his benefit is about 60 percent of what his taxes would buy. He is worse off than he would have been under the 1939 formula.

If H. R. 9366 were enacted but with the present $3,600 wage base, the individual's taxes and benefits would be on $300 per month wages. His taxes would be 14 percent less and his benefits only about 10 percent less than if the wage base had been extended to $4,200.

SUPPLEMENT B

Analysis of OASI benefits as affected by the wage base and other factors

The argument that the wage base should be extended to $4,200 "to maintain the principle that benefits should reflect differences in earnings" ignores the fact that OASI benefits follow this principle only within limits. There are controlling provisions, framed because of OASI's fundamental purpose, which determine benefits along with wage levels, and there are also floor and ceiling limits. These supersede the wage-benefit formula to the extent it would produce overceiling or less than floor benefits.

The relation between earnings and benefits is tenuous and often capricious

Benefits reflect differences in arbitrarily prescribed periods of earnings. They also reflect absence from OASI-covered work during this prescribed period. They will also reflect operations of dropout provisions under H. R. 9366. They do not reflect differences in earnings or even in OASI-taxed earnings outside the prescribed period.

Currently awarded benefits are practically all based on earnings in employment covered by OASI during, and average over, the period beginning January 1, 1951, regardless of earnings and earning levels, whether or not in employment covered by OASI, before that date. Thus all individuals averaging $300 per month in OASI-covered work since that date receive the same benefit, whether they had maximum OASI coverage and paid maximum OASI taxes every year after 1937, or had less covered earnings and paid less taxes, or had no covered earnings and paid no taxes.

Under H. R. 9366, a couple of years from now all maximum and near-maximum benefits, and probably the great majority of other benefits, would be based solely on employment after 1954, in disregard of any differences in earnings, or in earnings, if any, covered by and subject to OASI taxes before 1955. Any effect of absence from OASI coverage on benefits would be determined after application of the dropout provisions. Some benefits, because of the dropout of lower earnings periods, would not be related to earnings, but only to the above-average portion of earnings.

Benefits reflect differences in earnings quite differently at different earnings levels

H. R. 9366 provides nearly three times (2¾) the benefit per dollar of average wage up to $110, as it provides per dollar of average wage in excess of $110. The primary monthly benefit is 55 cents per dollar for persons with average monthly wage up to $110, and 20 cents per dollar for the excess of average wages over $110.

Benefits reflect dependency status as well as earnings and identical benefits may be paid in cases where earnings differ widely—50 percent more benefits where a retired man has an eligible wife than for a single individual. Benefits of an individual with $110 average wages and an eligible wife are the same as benefits of a single individual with average wages of $260. Survivor benefits of an individual with $350 average wages who leaves an eligible widow are less than survivor benefits of an individual with $105 average wage who leaves an eligible wife and child.

OASI floor and ceiling provisions limit minimum and maximum family protection in disregard of wide differences in earnings

Due to the proposed $30 floor of primary and sole survivor benefits, individuals retiring with $10, $24, or $54 average wages receive the same benefits. Sole survivors of individuals with average wages of $10 or $70 per month all receive the same benefits.

The proposed $200 per month ceiling on benefits would result in the same benefits for a surviving wife and 2 children whether average wages were $310 or $350 per month, and to a surviving wife and 3 children whether average wages were $250 or $350.

PRACTICAL RESULTS

The proposed increase in the maximum wage base would be a burden rather than a bargain for young people affected by it

It would at most increase benefits paid individuals under the proposed formula by 11 percent. In some survivor cases, the same benefit would be paid whether the individual's OASI-taxed earnings after 1954 averaged $3,600 or $4,200. The only difference in the present and proposed $4,200 earnings base for many would be that the taxpayer and his employer would pay some 17 percent more OASI taxes.

Even if the dependency situation of a young taxpayer is such that he receives the maximum increase in OASI protection (wife and one child) his additional taxes resulting from the extended wage base would soon exceed the actual premium for his additional protection. As derived from the tables of actual level premium costs of OASI benefits in the Social Security Administration's actuarial study No. 36, the actual level premium for the extra protection is 3 percent of the proposed additional taxed earnings above $3,600. The young self-employed person is presently paying this 3 percent rate, and the young employee is presently paying 2 percent. But the rate of the young employee is scheduled to increase to 4 percent and his lifetime average rate will substantially exceed the 3 percent actual premium cost. The young self-employed man's rate will average around twice the 3 percent average premium for the added protection.

The young taxpayer with a wife and two children, in paying the 17 percent additional taxes for $4,200 instead of the present $3,600 would receive 1½ per-

cent more protection for his wife and children than he would if his earnings were $3,600. If he had three children his extra earnings and OASI taxes would not be reflected at all by their potential survivor benefits.

The young man without dependents would have an actual premium for his additional protection of 1.7 percent so all his employer's extra taxes and part of his own extra taxes on earnings above $3,600 would be clear OASI profit. When the proposed maximum OASI rate is reached, $10.20 of the $18 additional taxes from the extended wage base would cover his actual premium costs of his extra protection, $7.80 would be OASI profit to help pay for other beneficiaries.

In contrast with the added burden on young people affected, the proposed extended wage base would result, under the proposed benefit formula, of an additional $10 per month to some individuals whose earnings are $4,200 per year ($15 per month if they have eligible wives).

Persons retiring 2 years from now with earnings at the $4,200 earnings level would be the first to receive the proposed new maximum. Their total additional taxes would be $18 ($27 if self-employed). The "principle that benefits should reflect differences in earnings" would thus be applied to the fortunate high earnings people who do not retire until the end of the 18-month period beginning next January. Their earnings, at whatever levels and whether or not subjected to OASI taxes, before this period would be disregarded.

This statement is respectfully submitted by the Conference of State Manufacturers Associations which includes the following associations:

Associated Industries of Alabama
Associated Industries of Arkansas
Manufacturers Association of Connecticut
Associated Industries of Florida
Illinois Manufacturers Association
Indiana Manufacturers Association
Iowa Manufacturers Association
Associated Industries of Kansas
Associated Industries of Kentucky
Associated Industries of Maine
Associated Industries of Massachusetts
Michigan Manufacturers Association
Minnesota Employers Association
New Hampshire Manufacturers Association
New Jersey Manufacturers Association
Ohio Manufacturers Association
Columbia Empire Industries, Inc.
Pennsylvania Manufacturers Association
Associated Industries of Rhode Island
Texas Manufacturers Association
Utah Manufacturers Association
Associated Industries of Vermont
West Virginia Manufacturers Association
Wisconsin Manufacturers Association
Associated Industries of Montana

My name is Clarence O. Schlegel. I live in Clay City, Ind. For years I have been a lay member of the executive committee of the ministerial pension board of the Evangelical United Brethren Church. I am much interested in H. R. 9366 as it pertains to the clergy of our land; however, not as an opponent, although from my experience, I consider that there should be some amendments to the present bill.

Should the bill be enacted as it passed the House the administration of the law would become quite complex because of the employer-employee relations. It would be much easier and more equitable to define ministers as self-employed individuals. To determine what is the employing organization will not be a simple matter in many of our Protestant churches. I will cite my own denomination, the Evangelical United Brethren, as an example.

We have our general denomination, which in turn is divided into some 40 conferences. These conferences are divided into charges, each of which supposedly has its individual minister. The ministers are hired and their salaries estab-

lished and paid by the charges. With our particular denomination, the local charge is in reality the employing organization. Nor is our denomination the only one wherein a similar situation exists. But with us the application of the present bill would mean several thousands of employing organizations, and the desire of both the individual charge and its minister to obtain coverage.

The subsequent events would be most productive of chaos. As the acceptance of coverage is voluntary on the mutual acceptance of both minister and employing organization, and our ministerial employment is based on an itinerant basis, a minister who has been on a charge that has accepted with him coverage under this law, who may be transferred to a charge that has not accepted coverage, will present quite a problem. Should the charge be forced to provide coverage, that charge will not be allowed voluntary status as will the minister.

Let us assume, now that the conference or the denomination be defined as the employing organization. Then that body, whichever it might be defined, will most probably be the one that will pay the employer's part of the tax, although it does not establish nor pay the individual salaries of the ministers.

When a law is enacted, there is in most instances a punitive clause for those who refuse to abide by that law. In case there is an employing organization that refuses to pay its part of the tax as employer, would it be wisdom for the Treasury Department to sue this delinquent organization? Would not such an action produce a storm of protest and opposision, regardless of the issue?

To avoid these and other difficulties, it would be far better to define ministers as self employed individuals. Then the problems of who are the employers would be removed. It would not matter if the charge or conference favored or opposed coverage, nor to what assignment he might be sent.

I am not concerned as whether they be given voluntary or nonvoluntary status, but I do know that the employer-employee status is productive many ills.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., July 14, 1954.

Hon. E. D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate.

DEAR SENATOR MILLIKIN: I am replying to your request for a report on H. R. 9366, a bill to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, and for other purposes. In our review we have given special attention to those provisions of the bill relating to farmers and farmworkers.

It is our conviction that the provision of economic security for one's old age or for his dependents in case of his death is as necessary for farm people as for those who earn their livelihood from nonfarm pursuits. We believe that farm people need the basic core of protection that the Federal program of social insurance on a contributory basis provides. Information available to us from studies made in several sections of the country also indicates that a majority of farmers surveyed favor their inclusion in the program of old-age and survivors insurance. The Department of Agriculture, therefore, favors the extension of coverage for farmers and hired farmworkers on the same basis as for nonfarm self-employed and nonfarm wage or salary workers, and we consider this bill as a great improvement over existing legislation.

We note that H. R. 9366 provides for extension of coverage to only about half as many additional hired farmworkers as the proposal made by the Department of Health, Education, and Welfare. We should like to suggest that your committee reconsider the original proposal in which coverage would be extended to all hired farmworkers, paid $50 or more in cash wages by one employer in a calendar quarter. It is estimated by the Bureau of Old-Age and Survivors Insurance that such a provision would provide coverage for about 1.8 million hired farmworkers in addition to those that would be covered by the provisions of H. R. 9366.

With this letter we are transmitting 25 copies of a preliminary report, Attitudes of Farm Operators in Harrison County, Ky. Toward Old-Age and Survivors Insurance Program. This material became available after your committee had held hearings on H. R. 9366. The study is similar to those for other areas which were supplied to the House Ways and Means Committee during hearings.

However, the present preliminary report contains additional information on farmers' attitudes toward coverage of seasonally engaged workers classified by duration of employment. The cutoff point for coverage of hired workers is the principal difference between H. R. 7199 and the bill proposed by the administration insofar as coverage of agricultural workers is concerned.

It is noted that, under sections 101 (e) (2) and 205 (d) (2) of the bill (pp. 5 and 103), service as a member of a State, county, or community committeeman for certain agricultural programs would no longer be exempted from the provisions of the Social Security Act and the Internal Revenue Code, as amended. We agree with this provision of the bill and do not think these exemptions should be continued if the Congress broadens the coverage of the act to include most farmers, as the Department has recommended. However, if for any reason this is not done, we believe the present exceptions should be continued, since farmer committeemen rely primarily upon farm income rather than their compensation for services as committeemen for their livelihood.

The Bureau of the Budget advises that, from the standpoint of the program of the President, there is no objection to the submission of this report.

Sincerely yours,

TRUE D. MORSE,
Under Secretary.

ATTITUDES OF FARM OPERATORS TOWARD OLD-AGE AND SURVIVORS INSURANCE PROGRAM IN HARRISON COUNTY, KY.

(By Robert E. Galloway, Social Science Analyst, Agricultural Marketing Service)

This preliminary report is based on a study of provisions made for old age and security by families of farm operators in Harrison County, Ky., and of their attitudes toward old-age and survivors insurance.[1] The fieldwork was done in June 1954, by the Agricultural Marketing Service, United States Department of Agriculture, in cooperation with the Kentucky Agricultural Experiment Station. The study parallels similar studies made in Connecticut, Wisconsin, and Texas by the respective experiment stations in cooperation with the Farm Population and Rural Life Branch of Agricultural Marketing Service.

ATTITUDES TOWARD THE PRESENT OASI PROGRAM

Many of the farm operators in Harrison County reported some experience with the old-age and survivors insurance program. Due largely to this experience, about 4 in 10 of the operators were fairly well informed about the functions of the OASI program (table 1).

TABLE 1.—*Knowledge of the old-age and survivors insurance program indicated by farm operators*

Knowledge of OASI program	All operators	
	Number	*Percent*
Total	204	100
Fairly well informed	78	38
Some knowledge	28	14
Hazy understanding	47	23
Practically no knowledge	51	25

Operators classed as well informed knew how the program is financed, of the retirement and survivors benefits available, and of the eligibility requirements of workers. One-seventh had some knowledge of the program, but were uncertain about one or more of the major provisions. About a fourth had some understanding of the program without knowing any of its specific provisions. The remainder, comprising a fourth of the operators had practically no knowledge of the OASI program.

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[1] Harrison County, located in the inner blue grass region of the State, had 2,011 farms in 1950, about 90 percent of which were classed as commercial farms. Tobacco is the chief field crop. A sample of 204 farm operators were interviewed. The sample was drawn by the area-sampling technique.

General attitude toward OASI program

Eighty-nine percent of the operators expressed general or qualified approval of the OASI program, 7 percent disapproved of it, and the remaining 4 percent took no position on the question (table 2).

TABLE 2.—*Attitudes of farm operators toward the OASI program, by tenure status of the operator*

Attitudes toward program	All operators		Tenure status of operators	
	Number	Percent	Owners	Tenants
			Percent	*Percent*
Total	201	100	100	100
Approval	152	75	70	84
Qualified approval	29	14	18	7
No position	9	4	3	6
Qualified disapproval	3	2	2	1
Disapproval	11	5	7	2

Tenure status affected only slightly the attitudes of the operators. Ninety-one percent of the tenants interviewed expressed approval of the program, and only two percent gave their unqualified disapproval. Eighty-eight percent of the owners approved the program, but seven percent gave their unqualified disapproval.

Attitude toward OASI coverage of farm operators

Farmers did not endorse OASI coverage of certain farm groups as often as they did the OASI program in general. However, over three-fourths of the operators expressed approval of their own coverage under the OASI program (table 3).

TABLE 3.—*Attitude of farm operators toward OASI coverage of operators*

Attitude toward OASI coverage of farm operators	All operators	
	Number	Percent
Total	201	100
Should be covered [1]	156	77
Should not be covered	19	9
Uncertain	29	14

[1] 3 of the operators approved OASI coverage conditionally.

Fewer than 1 in 10 felt that farm operators should not be covered and 1 in 7 were uncertain as to whether they would like to see operators included in the OASI program. If those farmers who were uncertain are disregarded, about 9 in 10 of the rest of the operators approved OASI coverage for farm operators.

Over two-thirds of the farm operators who approved their own coverage felt that farmers need the protection for old-age security. About 1 in 4 said that farmers should have the same rights as nonfarm businessmen and felt that they had been discriminated against by not being in the program. Those with negative attitudes generally believed that farm operators should take care of their own old age by savings and investments and without the Government interference that such coverage might involve. Others felt that there would be too much redtape and doubted that a satisfactory program could be worked out for the coverage of farmers.

Attitudes by net worth of operator.—A definite relationship existed between the net worth of an operator and his attitude toward farm operator coverage by the OASI program. As the net worth of the operators increased, the proportion of them approving coverage decreased (table 4).

TABLE 4.—*Attitude of farm operators toward OASI coverage of operators, by net worth*[1]

[Percent]

Attitude toward OASI coverage of farm operators	Net worth of operator			
	Under $5,000	$5,000–$9,999	$10,000–$19,999	$20,000 and over
Total	100	100	100	100
Should be covered	84	80	74	64
Should not be covered	4	4	15	16
Uncertain	12	15	11	20

[1] The proportion of farm operators in the survey falling into the various net worth groups are as follows: 34 percent, less than $5,000; 23 percent, $5,000–$9,999; 19 percent, $10,000–$19,999; and 24 percent, $20,000 and over.

Eighty-four percent of the farm operators with net worth of less than $5,000 approved OASI coverage for farm operators. The proportion approving coverage decreased progressively with each increasing net worth group until only 64 percent of the operators with highest net worth approved such coverage. In the case of disapproval, the reverse was true: 4 times as many operators with the highest net worth disapproved coverage of operators as those with the lowest net worth—16 and 4 percent, respectively. Farm operators with the highest net worth also had the largest proportion indicating uncertainty as to the desirability of operator coverage.

Attitudes by age of farm operators.—Relatively more farm operators who were 35 to 44 years of age and those 65 and older, and fewer operators in the 45 to 64 age group approved OASI coverage for farm operators (table 5). Omitting those operators who were uncertain about operator coverage, it appears that 93 percent of the operators under 35 approved the coverage of operators, as compared with 87 percent of the oldest operators. Farm operators 35 to 44 age group gave the coverage of operators unconditional approval in greater proportion than any other age group. This group also had fewer disapprovals and uncertainties. It is this group that has probably had the greatest contact with the OASI program.

TABLE 5.—*Attitudes of farm operators toward OASI coverage of operators, by age*[1]

[Percent]

Attitudes toward OASI coverage of farm operators	Age of operators				
	Under 35	35 to 44	45 to 54	55 to 64	65 and over
Total	100	100	100	100	100
Should be covered	75	87	73	62	79
Should not be covered	6	7	9	15	12
Uncertain	19	6	18	23	9

[1] The proportion of operators in the survey falling into various age groups were as follows: 18 percent under 35; 26 percent 35 to 44; 22 percent 45 to 54; 17 percent 55 to 64; and 17 percent 65 and over.

ATTITUDES TOWARD OASI COVERAGE OF SHORT-TIME WORKERS

The attitudes of farm operators toward the coverage of workers employed for 3 to 6 months, those employed for 1 to 3 months, and those employed less than a month were recorded. More than two-thirds of the operators were in favor of extending some sort of coverage to short-time workers, the degree of favorability decreasing with the length of time worked. Sixty-nine percent would favor it for those employed for from 3 to 6 months, 59 percent for those who worked from 1 to 3 months, and 51 percent for those working for less than a month or for any

unspecified period. Nineteen percent of the operators disapproved of the coverage of any or all short-time workers and 12 percent were uncertain as to whether they should be included at all (table 6).

Table 6.—Attitude of farm operators toward OASI coverage for farm workers employed for various periods of time

	Percent
Approved coverage for those workers who worked 3 to 6 months	69
Approved coverage for those who worked 1 to 3 months	59
Approved coverage for those who worked for less than 1 month or regardless of length of time	51
Disapproved coverage for any short-time workers	19
Uncertain about coverage for any short-time worker	12

The principal reasons farmers gave for approving the coverage of short-time workers were:

1. Farm workers have the greatest need for protection in old age among the agricultural population.
2. If nonfarm workers are under OASI, farm workers should also be covered.
3. Farm workers would now rather work at nonfarm work because they get protection there.

Of the operators who opposed coverage of short-time farm workers, over half gave as their reason that the bookkeeping task would be onerous and keeping up with the records would be almost impossible. Other objections to the coverage of the farm workers were that (1) workers do not want money held out of their wages for the payment of OASI charges; (2) the workers expect the operator to pay the employees' part of the OASI as well as his own, thereby raising the cost of operation; (3) the average short-time farm worker is a "sorry lot" and does not deserve OASI coverage; (4) the worker should take care of his own security in old age.

Attitude towards OASI coverage of short-time farm workers by net worth of the farm operator

Two significant trends appear in the attitudes of farm operators toward OASI coverage for the short-time farm workers, when tabulated by the net worth of the operators. First, operators with net worth of $20,000 and over are less likely to approve and much more likely to disapprove coverage for short-time workers than are those operators with net worth of less than $5,000. Second, the shorter the work period of the short-time farm worker, the less likely operators in all net worth classes were to approve coverage for these workers (table 7).

TABLE 7.—*Attitudes of farm operators toward OASI coverage of short-time farm workers by net worth of operator*

Attitudes toward OASI coverage of various short-time workers	All operators		Net worth of operator			
	Number	Percent	Under $5,000	$5,000 to $9,999	$10,000 to $19,999	$20,000 and over
			Percent	*Percent*	*Percent*	*Percent*
Workers hired for 3 to 6 months	204	100	100	100	100	100
Should be covered	140	69	74	67	72	60
Should not be covered	38	19	12	20	10	34
Uncertain	26	12	14	13	18	6
Workers hired for 1 to 3 months	204	100	100	100	100	100
Should be covered	120	59	61	61	59	54
Should not be covered	49	24	20	24	15	36
Uncertain	35	17	19	15	26	10
Workers hired less than a month	204	100	100	100	100	100
Should be covered	104	51	49	52	54	50
Should not be covered	69	34	35	33	26	40
Uncertain	31	15	16	15	20	10

A relatively high proportion of the farm operators with net worth of $10,000 to $19,999 approved OASI coverage for short-time farmworkers in all categories. They also had a higher proportion of operators answering "uncertain" than any of the other groups.

Attitude of farm operators toward OASI coverage of short-time farmworkers, by number of hired workers employed by operators in 1953

Farm operators with the largest number of short-time workers were more likely to disapprove OASI coverage for workers in all three time categories than were those operators who hired fewer short-time workers in 1953 (table 8).

TABLE 8.—*Attitudes of farm operators toward OASI coverage of short-time workers, by number of hired workers employed by the operators in 1953*

Attitudes toward OASI coverage of various short-time workers	Number of hired workers employed by operator in 1953 [1]				
	None	1 to 3	4 to 6	7 to 9	10 or more
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
Workers hired for 3 to 6 months	100	100	100	100	100
Should be covered	72	66	69	71	62
Should not be covered	15	14	23	21	38
Uncertain	13	20	8	8	0
Workers hired for 1 to 3 months	100	100	100	100	100
Should be covered	61	53	60	64	62
Should not be covered	23	20	29	21	38
Uncertain	16	27	11	15	0
Workers hired for less than a month	100	100	100	100	100
Should be covered	48	48	54	57	62
Should not be covered	37	26	40	29	38
Uncertain	15	26	6	14	0

[1] The proportion of farms hiring farm workers in various numbers in 1953 were as follows: (1) 35 percent hired none: (2) 28 percent hired 1 to 3 workers: (3) 24 percent hired 4 to 6 workers: (4) 7 percent hired 7 to 9 workers: and (5) 6 percent hired 10 or more workers.

Omitting the answers of those who were uncertain, the remaining operators would be more likely to approve coverage for short-time farm workers if they did not hire many of them during the year. The principal reason for the relatively high degree of uncertainty about the coverage of short-time farm workers by the operators who hired few workers was their inexperience with the program and their fear of the difficulty of keeping records on them. Operators with the largest number of workers were clearly for or against OASI coverage for short-time farm workers and showed no uncertainty in their opinions.

(Whereupon, at 11:25 a. m., the hearings were concluded.)

O