SOCIAL SECURITY AMENDMENTS OF 1955

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-FOURTH CONGRESS

SECOND SESSION

ON

H. R. 7225

AN ACT TO AMEND TITLE II OF THE SOCIAL SECURITY ACT TO PROVIDE DISABILITY INSURANCE BENEFITS FOR CERTAIN DISABLED INDIVIDUALS WHO HAVE ATTAINED AGE FIFTY, TO REDUCE TO AGE SIXTY-TWO THE AGE ON THE BASIS OF WHICH BENEFITS ARE PAYABLE TO CERTAIN WOMEN, TO PROVIDE FOR CONTINUATION OF CHILD'S INSURANCE BENEFITS FOR CHILDREN WHO ARE DISABLED BEFORE ATTAINING AGE EIGHTEEN, TO EXTEND COVERAGE, AND FOR OTHER PURPOSES

FEBRUARY 14, 15, 16, 21, 22, AND 23, 1956

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SOCIAL SECURITY AMENDMENTS OF 1955

TUESDAY, FEBRUARY 14, 1956

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

The committee met, pursuant to recess, at 10:05 o'clock a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Barkley, Williams, and Carlson.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order.

The first witness is Mr. Edmund Fitzgerald, of the Northwestern Mutual Life Insurance Co., of Milwaukee.

You may proceed.

STATEMENT OF EDMUND FITZGERALD, PRESIDENT, NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY OF MILWAUKEE

Mr. FITZGERALD. Mr. Chairman and members of the committee, my name is Edmund Fitzgerald. I am president of the Northwestern Mutual Life Insurance Company, of Milwaukee, and for 1956 am president of the Life Insurance Association of America.

The four gentlemen with me and I are appearing today on behalf of the American Life Convention and the Life Insurance Association of America, which together represent companies that underwrite over 96 percent of the life insurance in the United States.

For many years one of the important joint committees of the two associations has concerned itself with social security. Members of your committee may recall that we made a thorough study of social security in 1953 and that a copy of our report was filed with your committee. We have continued our studies of the subject since then.

Our testimony will deal with the reduction in the retirement age for women and the monthly disability benefits proposed by H. R. 7225. It is our hope that our experience in the fields of disability benefits, rehabilitation, pension plans, and retirement may contribute to your consideration of these important subjects.

We thought, too, it would be helpful if a panel of witnesses appeared, each presenting a brief statement on matters to which he has directed particular study over the years and upon which he is a recognized authority.

Mr. Leigh Creuss, vice president and chief actuary of the Mutual Life Insurance Co. of New York, will discuss the retirement age for women.

Mr. Edwin C. McDonald, vice president of the Metropolitan Life Insurance Co., will discuss trends in the retirement age provisions of private pension plans.

Mr. Daniel J. Reidy, vice president and general counsel of the Guardian Life Insurance Co. of America, will discuss disability claim problems.

Mr. John H. Miller, vice president and actuary of the Monarch Life Insurance Co., will focus his discussion on the broad issues raised by the proposed disability benefit provisions.

Mr. Creuss is our first speaker.

The CHAIRMAN. We will be glad to hear from you, sir.

STATEMENT OF LEIGH CREUSS, VICE PRESIDENT AND CHIEF ACTUARY, MUTUAL LIFE INSURANCE COMPANY OF NEW YORK

Mr. CREUSS. Mr. Chairman and members of the committee, my statement concerns the provisions of H. R. 7225 which would lower the OASI retirement age from 65 to 62 for women workers, wives, widows, and female parents. It also concerns the cost implications of these provisions.

IMPROVED HEALTH AND VITALITY OF THE ELDERLY

The proposal to reduce the retirement age for women comes at a time when striking gains are being made in the health of the elderly. By and large, elderly people, particularly elderly women, have more vitality and are better able to work than ever before.

The recent remarkable progress can best be demonstrated in terms of increased life expectancy and decreased mortality rates. Following many decades of lesser progress, the period 1940–52 witnessed a 7.4 percent increase in life expectancy at age 65 for men, and an increase of 12.5 percent for women.

These percentage increases at age 65 were greater than at any lower age. Viewed in another way, men who had reached 65 gained about a year in life expectancy in the 12-year period, while women who had reached 65 gained more than a year and a half.

In numbers, the 12-year gain in life expectancy has meant a reduction in male deaths of about 197,000 a year, and in female deaths of about 247,500 a year. Of these annual lives saved, about 65,000 of the males and 100,000 of the females were at ages over 65.

There can be no real doubt that these figures reflect improved health among the elderly. We know of the specific progress in medicine, sanitation, nutrition, and related fields, that has reduced the toll of both sickness and death.

And we also know that these gains have been supplemented by improved dentures, spectacles, hearing aids, and so on, that today keep minor impairments from being more than trifling handicaps to work or to enjoyment of life.

The improved vitality of both men and women suggests an increase in the general OASI retirement age, rather than any reduction. And if there were to be any difference between men and women in the OASI retirement age, the greater longevity of women suggests a higher retirement age for them.

Of course, I am not recommending any such changes, but simply stressing that the underlying facts concerning retirement age point in exactly the opposite direction from that taken by the bill.

WOMEN WORKERS' RETIREMENT BENEFITS

So far as women workers are concerned, the case of those who favor a reduced OASI retirement age for women is essentially an assertion that it is a personal hardship for women to have to continue working to age 65.

Yet the hardship—if it is a hardship—is no greater for a woman than for a man. True, elderly people who lose their jobs may sometimes have some trouble in finding new ones, but again, this trouble is not confined to women alone.

Also to be considered are the broad economic effects of encouraging the withdrawal of women from the labor force through lowering the OASI retirement age. For half a century our economic gains have been partially due to the declining proportion of dependents or nonproducers to producers, as the following figures show:

Number of dependents per person in the labor force

1900	1.75
1930	1.59
1950	1.40

However, with the increasing longevity of the aged and with the growing numbers of children resulting from the high birth rates of recent years, the past trend is being arrested, and an increase in the ratio of nonproducers to workers is setting in.

By lowering the female retirement age in OASI, the ratio of nonproducers to productive workers will increase further, and the result will be a heavier future drag on our economic progress.

WIFE'S OLD-AGE BENEFITS

Proponents of the reduced retirement age for women urge that since an aged couple may need both the husband's and the wife's benefits on which to live, the wife's benefits should begin when the husband's benefits start. The 3-year reduction in retirement age for women is suggested as a means to this end, since wives average a few years younger than their husbands.

However, the average retirement age at which men under OASI actually retire has been about 68 or 69, so there is already substantial leeway to take care of wives somewhat younger. Moreover, the reason for an average retirement age of 68 or 69 for men is not that they are waiting for their wives to reach 65.

A study recently published in the official Social Security Bulletin reached the following conclusion:

> Only 2 percent of all workers who retired apparently had deferred their retirement until the wife reached age 65. For the remaining 98 percent of the cases the receipt of benefits by the wife had no effect.

Thus, a reduction in the female retirement age is not needed in many cases for both husband's and wife's benefits to start at the same time.

In many other cases, a 3-year reduction in the female retirement age would fall far short of attaining the stated objective. The study published in the Social Security Bulletin, that I referred to, shows that over 50 percent of male workers had wives who were more than 3 years younger than they. There would consequently be many cases where the wife would have to wait one or more years after the husband's retirement to receive benefits.

On the other hand, if Congress attempted to fully achieve the purpose of the proposal for all wives, it would encounter prohibitive costs relative to what would be accomplished. Also, without any real reason, it would be furnishing benefits to many able-bodied younger women, without children.

Consequently, we see no justification for departing from the uniform retirement age of 65 for wives. It would introduce a new element of discrimination into OASI, to provide benefits for some of the wives under 65 and not for the others.

AGED WIDOW'S AND FEMALE PARENT'S BENEFITS

With respect to widows, the proponents of a reduced retirement age express concern about the plight of women who lose their husbands when they are not many years below 65.

It is argued that since many of these widows have never worked, or do not have recent work experience, it is impossible for them to find jobs when the death of the family breadwinner makes a search for employment necessary.

The case with respect to female parent's benefits is essentially the same.

This argument is based on the thought that widows must seek employment at advanced ages due to lack of other resources. However, the $370 billion of life insurance in force in this country has been purchased mainly for the purpose of providing cash benefits for surviving families whose chief support has been withdrawn.

More than 60 percent of all death benefits under life insurance policies are paid to widows, a large proportion of whom are in the 60–65 age bracket. It is estimated that at the end of 1955 life insurance per family in the United States averaged about $6,800.

This figure indicates that, on an average, women becoming widows between 62 and 64 would have something like $2,000 to $3,000 or more a year to live on until reaching 65, from life insurance alone.

In addition, most widows have other resources such as savings-bank deposits, ownership of a home, and—among other items—a lump-sum death payment coming from OASI.

Moreover, it is important to realize that family assets in the United States have been steadily increasing in recent years. The per-family ownership of life insurance, in particular, has been moving upward at a very rapid rate.

It should also be realized that the argument for commencing widow's benefits at 62 would be equally valid, or even more so, in urging commencement of benefits at 60, 55, or any age. Consequently, the same discriminations, costs, and other difficulties mentioned with respect to wives would be involved if any departure from the uniform retirement age of 65 is made for widows.

COST IMPLICATIONS OF REDUCING THE FEMALE RETIREMENT AGE

In thinking about the costs of the proposed reduction in the retirement age for women, it is helpful to keep in mind the value of some illustrative life incomes. A life income of $100 a month for a man aged 65 is worth $12,600. For a woman aged 65, it is worth $14,500, while at age 62 it would be worth $16,100. In general, the value of specified monthly benefits for females are about 15 percent greater than for males of the same age.

Moreover, it should be realized that the cost of monthly retirement incomes are usually met by annual premiums paid over the individual's working lifetime. If the retirement income is to start at an earlier age, the annual premium costs go up, not only because of the increased life expectancy in retirement but also because of the shorter premium-paying period.

Thus, the annual costs for a woman's retirement income beginning at age 62 are about 35 or 40 percent greater than in the case of a woman retiring at age 65. These figures may suggest the really substantial cost consequences that stem from what may seem like quite a small reduction in retirement age.

The official cost estimates for the proposal were surely prepared with these points in mind; I do not mean to challenge them. In general, we feel the official figures are reasonable, but it is important to realize that the range of possible error is great, and that the actual costs may well prove to be widely at variance with the official "intermediate" estimates.

While future experience may result in costs less than the "intermediate" estimates, there are a number of serious reasons for thinking they will prove to be much greater. For one thing, women may go on the beneficiary rolls at earlier ages than is allowed for in the official estimates. This could happen, for instance, by reason of liberalization in private retirement plans, the benefits of which along with the OASI benefits might increase the attractiveness of retirement for women.

Secondly, the official estimates are based on an assumption of high-level employment. While a depression such as occurred in the 1930's may be unlikely, it is quite possible that economic conditions from time to time will be less favorable than is assumed in the estimates. In that event, relatively more people would be on the beneficiary rolls, with fewer paying the OASI taxes.

There is also a question on the extent to which female mortality will improve in the future. We think it quite likely that current trends will continue and that women will live much longer in the future than the official estimates allow for.

A recent official study assumes that life expectancy for females at age 65 will increase gradually from 14.7 years in 1948 to 16.2 years in the year 2000—a gain of only 1.5 years.

Yet in the 12 years from 1940 to 1952, life expectancy for females at 65 increased by 1.7 years—that is, from 13.6 years to 15.3 years. In short, the official estimates assume less improvement in 48 years than we have seen in a recent 12-year period.

Still a further point is that the official estimates naturally do not allow for future liberalization in the law. However, if the past is any guide, the possibility of future liberalization must be recognized.

Once a departure is made from a uniform OASI retirement age of 65, there will surely be pressures for further liberalization applying both to men and women. Moreover, further costs might well come from the present proposal by reason of extraneous future liberalizations in the law.

For instance, if the "work clause" amount which is currently $1,200 a year should subsequently be increased to $1,500, women between the ages of 62 and 65 would be encouraged to comply with the more liberal requirement and thereby get benefits in addition to part-time earnings.

It is not inconceivable that the time will come when mounting social security benefit payments will require Congress to consider means of holding down costs. In the United Kingdom, the Chancellor of the Exchequer recently recommended a 3-year increase in the retirement ages of the British social-security system to meet the growing financial problem. And in Sweden, an increase in the retirement age from 65 to 67 for both men and women was adopted a few years ago.

Should financing problems subsequently require the United States to consider an increased retirement age, it could hardly be wise for the female retirement age to have been reduced in the meanwhile.

To sum up, we believe that a reduction in the retirement age for women is not warranted either for women wage earners, for wives, or for widows. The costs of such a reduction would be relatively great, and there is no clear reason to incur them.

Elderly women have at least as much vitality as do elderly men and are at least equally able to work up to age 65. In the cases of wives, the proposed reduction would enable only a relatively small proportion of married couples to begin drawing benefits at the same time and would introduce a new element of discrimination into the OASI system.

In the case of widows, the proportion of elderly women who could go immediately on the beneficiary rolls at the death of their husbands would not be very large, while the typical resources of elderly widows are considerable.

The CHAIRMAN. Mr. Creuss, thank you for a very informative statement.

Are there any questions?

Thank you, sir.

Next witness.

Mr. FITZGERALD. Mr. McDonald.

STATEMENT OF EDWIN C. McDONALD, VICE PRESIDENT, METROPOLITAN LIFE INSURANCE CO.

Mr. MCDONALD. Mr. Chairman and members of the committee, my company has been underwriting and administering retirement plans since 1923. Both in number of plans and volume of funds we have a great deal of exposure to the attitude of employers and employees with respect to various features of retirement plans.

I have had much to do with the installation of many of these retirement plans over a period of 30 years. In practically all of the earlier plans the retirement age for women was set 5 years earlier than the retirement age for men.

In the main, this retirement age for female employees was set at age 60, although in some few plans it was set as low as 55, particularly some of the oil companies and those in overseas employment.

It is difficult to say why employers selected a somewhat lower retirement age for women than for men. I have heard some students of the subject suggest that it probably was borne of some chivalrous attitude rather than any concrete evidence that this differential was necessary. I know there was some idea that the physical capacity of a woman between 60 and 65 was less than for a man.

Regardless of the reasons for this retirement age differential in the older plans, I think it is highly significant that in the last few years, more particularly 1954 and 1955, practically all of the plans my company is administering, as well as many other plans with which we are acquainted, advanced the retirement age of women from 60 to 65.

Having been identified personally with a substantial number of these changes in retirement age, I inquired of the industrial relations and personnel people in these companies why they felt such a move was desirable and was the change working out satisfactorily. You may be interested to hear their reasons.

The first case I mention is the Rochester Gas & Electric Co.

A prominent New York State public utility comments:

Our experience from many years of operation of our retirement plan shows us clearly that most women do not wish to retire until 65. Furthermore, we find that the health of our feminine employees between ages 60 and 65 is surely as good as the health of our men of similar ages.

A Boston bank makes this statement:

Because of requests of women reaching age to continue working with us, we inquired of all our women employees as to their preference on retirement age and each thought that there should be no discrimination between men and women in the plan and that they should be allowed to work until 65. I should add that it appears to us that our women employees generally are in better health, or certainly as good health as our men employees between ages 60 and 65. To date we have found this change in retirement age to be very satisfactory.

A refining company in Chicago reports:

We are completely satisfied with the change we made in retirement age for females, not only because we wanted to have a uniform retirement policy but, frankly, because the cost of coverage for female lives based on retirement at age 60 was excessive.

From a director of a museum of natural history, this statement:

The two principal reasons we changed our retirement age for women was to allow them to build up credits for another 5 years which they earnestly sought and, in addition, to save the museum some money on account of it.

From a large rubber company:

We adopted a normal retirement age of 65 for females to eliminate discrimination for or against that sex and also to reduce the cost on future purchases of annuities. We think we have also avoided a great deal of complaint by females who objected to retiring earlier than men.

From a large casualty insurance company:

We found the great majority of our women employees were entirely competent and capable of continuing beyond age 60.

Another large insurance company says:

We never did retire women employees at 60 and therefore our practice was not consistent with the provision of the contract. Furthermore, women working to 65 instead of 60 will permit them to accrue a much-needed additional amount of annuity.

A large New York insurance company says:

The great majority of our women reaching 60 not only expressed the desire to continue working but their attendance and health records showed us they were easily enabled to continue. We are thoroughly satisfied with the change.

A large chemical company remarks:

Administration and understanding are greatly simplified by having one normal retirement age. Since almost all of our female employees are clerical people in our offices, there is no question but what they wish to work as long as men.

A San Francisco bank says:

The reasons we extended the normal retirement age for females from 60 to 65 was the direct result of complaints from our women employees who wanted to work until the same retirement age as men.

A Los Angeles trust company says:

We know we have made direct savings both in money and complaints by changing the retirement age for women.

A prominent food company remarks:

Our women employees were so aroused against the fact that we retired them earlier than men that they threatened to take it up with their union representatives as a grievance. When we made the change we found a great deal of approval all along the line and are very happy we made the move when we did.

All the way through the various different companies that responded to my request, I find that they say the health of women employees between 60 and 65, their attendance records and in general their whole deportment and ability to carry on their particular work is as good as men.

My own company's experience, drawn from a large force of women employees, shows that 75 percent of all of them ask to stay in service beyond 60 to 65. They feel it is discrimination against them not to permit them to have the same retirement age as men.

Some of the firms which have found it advisable to advance the retirement age of women from 60 to 65 are: Eastman Kodak, Phillips Petroleum, Quaker Oats, Socony Vacuum, Ohio Edison, United Fruit, St. Regis Paper, Greyhound Lines, General Electric, American Bankers Association, Lumbermen's Mutual Casualty, Pacific Gas and Electric, Chicago Museum of Natural History, Home Insurance, and many others.

The position of these companies is reinforced by a recent statement by the medical director of a large industrial company—one of the principal Standard Oil Cos.—to the effect that their experience indicates pretty clearly that women can carry on their work as effectively as men between 60 and 65.

I have assembled here a considerable amount of opinion which supports the idea of women working to the same retirement age as men.

If, however, the proposed reduction in the retirement age for women were enacted, there would doubtless be a strong pressure for a similar reduction in private pension plans. Such reduction would entail substantial costs, which in turn would mean that less money would be available for other objectives.

For example, many employers are doing or considering "repair" work on their pension plans to correct the adverse effect which inflation had on the adequacy of pension credits which had been provided for past service.

To illustrate the cost of a change in retirement age, I made some calculations on one of our group customers with 960 employees and a $4 million payroll. Approximately one-half of the work force is composed of women. To move the retirement age for women from 65 to 62 would increase his current cost of $287,000 by 16 percent—would add substantially to his past service cost.

To move the retirement age for both men and women to 62 from 65 would increase the employer's outlay by 31 percent, not to speak of the effect of past service cost.

Recently as a member of a small group of consultants to the Labor Department on the problem of employment for the older worker, I heard the Secretary of Labor express concern about the adequacy of our labor supply to meet the rise expected for our gross national product in the next decade. It seems to me that if this country is to be faced with an inadequate supply of working people in the relatively near future, even if it is not here already, it would be questionable to reduce the retirement age of the Federal plan to 62 for women.

This not only might appear to be a discrimination against women, but also would take out of the labor market at a most inappropriate time a segment of the working population. In our larger cities the need for clerical help has required many employers to borrow high-school students for part-time work a few hours in the afternoon, overtime has increased, and in general it is a very real problem.

A careful investigation reveals no instance in recent years where the retirement age has been lowered from 65 to 60 in these private plants. The trend has been all in the other direction. Certainly the experience of retirement plans is distinctly contrary to that being proposed for the Social Security Act and it is my judgment that instead of being welcomed by female employees, generally speaking it will be questioned and perhaps resisted.

The CHAIRMAN. Thank you very much, Mr. McDonald.

Senator BARKLEY. I suppose your testimony and that of your associates here in the insurance field is not actuated or motivated altogether by the fact that it may have an indirect effect upon your companies, that is, your pension plans. As I understand it, that is one of the objections to the reduction of the age for women, it would make it necessary for many of your companies to do the same.

But in addition to that, you are speaking about it from an economic and philosophical standpoint, also, are you not?

Mr. MCDONALD. I was quoting the Secretary of Labor on that, that he felt that our labor force would be inadequate to meet the gross national product that is estimated to be effective 10 years from now.

And we assume that women would constitute an important segment of that working population.

Senator BARKLEY. That is a speculative matter, whether the backlog of available labor 10 years from now would be reduced or increased by such conditions. I do not think anybody can foresee what may happen.

Mr. MCDONALD. In the large urban centers today though, as I mentioned, it is a very distinct problem and we have to keep everybody we possibly can, even at the older ages of women, in service, because of this great demand for clerical assistance on the part of companies that have that type of employment.

So it is right here today. It isn't speculative in the larger cities.

Senator BARKLEY. Would you say that a larger proportion of women, based upon the relative numbers of men and women employed, say between 60 and 65, that the larger or smaller proportion of those who wish to continue would be women or men?

Mr. MCDONALD. I would think that so far as 60 to 65, since most retirement plans have a normal retirement age of 65 for men and in many instances in the past they have been at 60 for women, that it is the large proportion of the women certainly that want to stay on, and many of the men also want to stay on beyond 65, and that is granted today.

It was quite common 10 years ago to see the compulsory retirement age as the fashionable thing at 65. That is no longer true.

Senator BARKLEY. We have in the last half century increased the expectancy of man by nearly 25 years.

Mr. MCDONALD. That is right.

Senator BARKLEY. And certainly, they are bound to be more healthy and able, and it presents a very difficult problem of what we will do with older people in this country.

Mr. MCDONALD. Don't you think it is significant——

Senator BARKLEY. I read an article in Argosy magazine in which that is discussed. If you have not seen it, I recommend it to you.

Mr. MCDONALD. I will read it. Don't you think it is significant that a number of plans have increased the normal retirement age for men from 65 to 68?

Senator BARKLEY. Yes, I presume that is in line with that.

Mr. MCDONALD. Reenforcing what you are saying.

Senator BARKLEY. That is a direct result of the fact that everybody is healthier and stronger than they used to be. What will we do about people who get beyond a certain age and are still able to work—that is a very difficult problem.

I have a good many letters from women who want it reduced to 62, many of them maybe between 62 and 65, and they want to get in on it before they get to be 65.

But there are a good many women that feel that way about it, not necessarily—Well, I do not know, but we are all looking after our own interests in one way or another.

Mr. Ward said: "One man has as much human nature in him as another, if not more."

Thank you very much, sir.

Senator WILLIAMS. I notice on page 3 you state, based upon your own company's experience, drawn from a large force of women employees, it shows that 75 percent of all of them asked to stay in service beyond 60 to 65.

Could you tell us what percentage of your employees—I think you said you had about 12,000—represent women beyond the age of 60 and what percent represents beyond age 65?

Mr. MCDONALD. I would say that as a percentage today, there are at least 75 percent that are beyond 60 of our current working force. That was your question?

Senator WILLIAMS. Yes.

Mr. MCDONALD. Of course, in days gone by we did have age 60 before we moved it up to 65. So the full effect of that will not be felt

for some years. But as of right now, I would say that certainly better than 75 per cent of them have gone beyond 60. I do not know if I answered your question or not.

Senator WILLIAMS. What I was wondering, out of the 12,000 employees, what percentage of them are women beyond the age of 60 and how many beyond the age of 65. In other words, I was trying to determine——

Mr. MCDONALD. I would say—I could only guess that probably not over 10 percent, sir, are beyond 65.

Senator WILLIAMS. Thank you.

Senator BARKLEY. There is another problem that enters into this thing, especially in times when there is a surplus of labor, and that is, how long an elderly person should be permitted to hang on to a job and thereby deprive a younger person who is coming on of the opportunity for employment. That is a social one as well as an economic problem.

If we could always be sure there was a shortage of labor that would not arrive, but I do not believe we can assume that at any given time.

Does society owe it to the younger generation to make such a provision for the older generation to get them out of the way of the younger ones as they come along seeking employment?

Mr. MCDONALD. Didn't you answer that partly by suggesting that the physical capacity of an individual to carry on, be he man or women, is much greater.

Senator BARKLEY. I do not know whether I answered that or not. I commented on that, that is true. But even so, if there is a surplus of labor and the younger man is knocking at the door for employment and he has his economic and social obligations as well, whether as between the two, the older and the younger group, society which is represented by Government owes it to the younger ones to clear the way somewhat by providing subsistence for the elderly ones so the younger ones may get jobs.

That was a part of the theory on which social security and old-age pensions were inaugurated in the beginning so far as Congress was concerned. It was to help to take care of older people and at the same time make way for younger ones who were coming along.

Mr. CREUSS. May I suggest that this legislation is being considered in an environment of full employment.

Senator BARKLEY. Yes; you cannot say that is a normal environment, however, because we have had great ups and downs in employment as we have in economic prosperity.

We hope it will continue, an era of full employment, but we cannot guarantee that.

Mr. CREUSS. Certainly not.

Senator GEORGE. I am sure you gentlemen have considered it, but you are dealing with averages. You have a lot of under averages—you have great hardship in many cases of women workers, and a social security system cannot very well avoid some consideration of the underaveraged person all of the time, when it is being developed.

And Mr. Creuss mentioned the fact of the aged benefits to the widow, and the benefits that an employee, a worker, may get. If she was held until she reached 65, sometimes it does work a very great hardship.

Mr. CREUSS. That is true, Senator George. The best information I have on that, however, is that something in excess of 80 percent of the families have insurance when the breadwinner dies. Maybe that is not a satisfactory answer.

Senator GEORGE. That may be on the average again.

Mr. CREUSS. No, 80 percent.

Senator GEORGE. Eighty percent have some insurance?

Mr. CREUSS. Have some insurance.

Senator GEORGE. And on the average they have so much insurance?

Mr. CREUSS. On the average.

Senator GEORGE. But a great many of them have under the average or else you would not have had that average.

Mr. CREUSS. That is correct.

Senator GEORGE. That is right. Therefore, you have to consider those things when you are dealing with a social security program.

I am one of those who have been with the social security legislation from the very beginning. I am one of those who have not desired to see it expand into a compulsory insurance system.

In fact, I voted against the last social security amendment, the 1954 amendment, because it did convert the system in my judgment almost completely—we have made some progress in that direction constantly—into a compulsory, a universal compulsory insurance program.

And I know the consequences of that ultimately. You gentlemen know it. You know it will run us into trouble, certainly, or into a very high cost program which will be very burdensome to the average income producer in the country.

And at the same time, I cannot escape the thought that when you are dealing with women workers who have reached the age of 62 to 65, that your averages do not adequately account for the hardship in the underaverage case. You get my point?

Mr. CREUSS. Absolutely.

Senator GEORGE. That is most unfortunate.

May I make this observation as one who has been working almost all of 78 years; working becomes a routine, if one is in a regular job for a long time. It is not half as hard as having to set up every one of your decisions in a new employment. Habit is an awfully big thing in our life as well as a bad thing.

And if the woman worker is thrown out of the job in which she has been trained and in which she has been constantly, steadily at work and in which she is still completely competent to carry on and in which she prefers to carry on, she faces a very different situation, both in finding a job and, second, in holding it down, because it is a different kind of work. She will have far more difficulty than to carry on the work of the position or the job in which she has had say, 20 years of continuous experience.

Those are just observations but they are observations which I am making to you to indicate to you that I have great difficulty in considering this thing on your laws of averages because you have these underaverage and you have women at 60 who do go out, who are thrown out of the regular job, not in your big industry but in your smaller industries, throughout the country.

The industry may go out. And then it becomes quite a different thing for the 60-year-old or 62- or 63-year-old woman to find a job and to really hold it, with any possible ease or success.

I merely make these observations to let you know that the problem is not new. We have thought of it, and worked over it, for a long, long time.

Even our very able and capable secretary in this field now, Mr. Marion Folsom, at one time when he was on the committee set up by the Congress, but mainly by this committee, suggested retirement for the women at 60, that is, women workers.

Of course, there have been certain changes and all like that, and you gentlemen have probably noted them in your averages, but it is just that you do arrive at these conclusions necessarily on a consideration of averages.

Mr. FITZGERALD. Would not the very fact that the OASI age was kept at 65 put some bias or pressure on keeping retirement practices at 65? I think the chances of being retained would be increased.

Senator GEORGE. That is true, when the industry needs it. You are quite right, one absolutely limiting factor on your progress in any direction is the number of people who can do the work. That is an absolutely limiting factor.

We can borrow money and we can get credit and we can expand it. We can do various things, even in a military way, but your limiting factor is your manpower. That is true. There is no question about that.

And from that point of view, it is desirable to keep the retirement age up and to provide steady employment for those who are advancing in age.

But again, I come back to the proposition that you have your under-average always to strike that average, and in that field of the under-average there is hardship.

Mr. MCDONALD. Do you not think it is significant that so many medical authorities that are dealing with these industrial firms feel, though, that women can perform their duties as satisfactory as men at these older ages; that they have found through long experience that this differential really is not needed in order to get efficient work?

Senator GEORGE. I think that is true. I think there are other reasons. I think that women at 60 years have far better habits than men.

Mr. FITZGERALD. We all agree with you on that, Senator.

Senator BARKLEY. I have known you a long time and your habits have always been pretty good.

Senator GEORGE. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. McDonald. You made an excellent statement.

Mr. FITZGERALD. Mr. Reidy.

STATEMENT OF DANIEL J. REIDY, VICE PRESIDENT AND GENERAL COUNSEL, GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

Mr. REIDY. Mr. Chairman and members of the committee, I direct my remarks to that portion of H. R. 7225 which proposes to provide monthly disability benefits for certain disabled individuals who have attained age 50.

LIFE INSURANCE COMPANY EXPERIENCE

The life-insurance business has operated in the field of total and permanent disability insurance for some 45 years. I would bring to your attention some administrative and claim problems we have encountered; problems which this proposed amendment, if adopted, must also encounter, but on a greatly magnified scale.

When in 1910, we commenced issuing total, permanent disability clauses, our benefit was limited to waiver of the premiums as they fell due under the individual's life insurance policies. This is analogous to the present provision under the Social Security Act, the so-called freeze provision.

Our next step was to pay annual disability annuities, usually 10 percent of the face amount of the life insurance. Our safeguard, though, was that such annual payments were deducted from the face amount of the policy.

It was in the 1920's that we jumped with both feet into the monthly disability payments without reduction of the face amount of the contract. We liberalized our old total and permanent disability clause so that a total disability that had existed for 3 months was presumed permanent. The usual monthly benefit was 1 percent of the face amount of the life insurance, i. e., $100 per month on a $10,000 policy. We waived the premiums so long as you remained totally disabled and the amount of the insurance was not thereby reduced.

Times were good in the 1920's, claims were mostly valid. We gradually learned how to administer this claim disability field. When I entered the business 1 month after the great crash of October 1929, our basic procedures were established, but claims were beginning to quickly increase in number.

With mounting losses, the industry and the State regulatory authorities took another look at lotal, permanent disability, both as to type of benefit and premium rates charged therefor. The National Association of Insurance Commissioners, working with the insurance industry, introduced new standard provision for life insurance total and permanent disability benefits. Rates based on experience studies were increased about 50 percent for men, 150 to 200 percent for women. Underwriting of disability risks became quite strict. Women, unless gainfully employed, were in most instances no longer eligible for such benefits.

With the depression came many questionable claims, fraudulent claims, even claims rackets. Litigation expanded throughout the country. Courts, in some areas, instead of squaring the total disability clause with the facts of the case allowed sympathy, prejudice, sociological, and other factors to influence their judgment.

Our usual total and permanent disability clause required the insured to be totally disabled and unable to follow any occupation whatsoever for remuneration or profit. Our premium rates for such clause were based on such type disability.

Courts and juries, though, rewrote the clause, interpreting it so that if an insured was unable to follow his occupation or even to perform the substantial duties of his occupation, he became entitled to have his life-insurance premium waived and monthly total disability benefits paid.

Total, permanent disability became partial disability; it became professional disability; it became unemployment insurance; and at times it became retirement insurance.

As the depression mounted, claims mounted. Despite the increase in premiums, losses to the life-insurance business became tremendous. Between the years 1931–38, inclusive, the life-insurance companies operating in the State of New York alone lost over $370 million on total and permanent disability.

By the year 1932, most life-insurance companies had stopped issuing new life-insurance policies containing provisions for payment of total, permanent disability benefits.

What did we learn from our very trying experience? We learned the following:

1. Adverse economic conditions have a major impact on the incident and duration of total disability when compensated by monthly total disability income.

2. The "moral hazard" is a most important factor in successful underwriting and claims procedures.

3. Claims procedures must be established that, while fair, will also be alert to malingering, to fraud, to recovery, rehabilitation, and reemployment.

4. Premium charges must be sufficient to allow sufficient reserves to cover foreseeable hazards and maintain solvency.

5. Rehabilitation, with benefits allowed for limited trial working periods of about 3 or 6 months, often converts the "desire" to work into the "will" to work.

If we could rehabilitate one of our claimants by saying, "O. K., your doctor thinks you can start work now, we will continue to pay the benefits for 3 months or 6 months, you forget about the total disability"—we found out by doing that we encouraged them. And most of the people that returned to work that way, continued working and were no longer totally and permanently disabled.

Full payments are made during such periods while the insured, actually returning to work, builds up his strength and confidence again. If the effort is successful, benefits cease; if not, benefits are continued without any new waiting period. Results have been excellent in this field.

6. Sound claim procedure involves not only initial actions, but, of equal importance, proper reviews, followup inspections, and interviews. The longer a person remains on the disability payroll the farther he becomes removed from employment opportunities and incentives. Actual field inspections are of the utmost importance in the followup on admitted claims.

You have to keep in touch with these people on an individual basis.

7. Selection and training of competent, intelligent, fair claims personnel is a keystone to sound claims administration. It has been our experience that it takes a minimum of 2 years to properly train a competent claims representative.

It has also been our experience that we interview 50 applicants to select 1 good prospective claims trainee. He must have somewhat the qualities of a judge as defined by Socrates: To hear courteously, to answer wisely, to consider soberly, and to decide impartially.

PROBLEMS INHERENT IN DISABILITY PROVISIONS OF H. R. 7225

H. R. 7225 proposes to introduce monthly disability income payments to eligible disabled persons, age 50 and over. With several hundred thousand initial claimants, it is reasonable to assume many thousands of cases wil be neither readily approvable after completion of proofs, investigation, and review nor readily disapprovable. These cases are the hazy group of questionable cases, malingerers, and frauds.

The insurance industry has had its share of individual frauds and of organized fraud rings operating beyond State boundaries. It took us years, cost us millions of dollars before, with the great assistance of the postal inspectors and Federal and State prosecutors, we broke up the tuberculosis and heart rackets. The proposed governmental program would surely encounter much greater difficulties in this area than we did.

We have tried to carefully select the people to whom we will issue disability, but under your program you have no right to select because you are going to take in everybody.

H. R. 7225, if enacted, would immediately cover many millions of people for total and permanent disability benefits. This without any opportunity to apply sound underwriting rules regarding age, income, occupation, health, or possible moral hazard—rules which we found so necessary in the business of total, permanent disability insurance.

With no power of selection of risk, with such a greater exposure, it stands to reason the Government would have a greater share of questionable cases. It is important to remember that in this field of total, permanent disability insurance it does not take very many questionable cases to greatly increase costs.

Here is why. Total disability insurance is a form of insurance which, if it would be successfully underwritten, must depend on a low frequency of total disability claims because of the high claim value of each case.

In contrast, hospital-benefit insurance, for instance, is the type where one expects a high claim frequency but low claim value. Thus, if we expect, for example, that 1 percent of our insured will become totally disabled in a year but the attractiveness of the total disability income induces an additional 1 percent of our insured to go on the disability rolls, we automatically double the claim payments.

Thus, even a minimum of questionable or fradulent cases has a terrific impact on costs and can upset the entire plan of financing.

Under the proposed amendment there is no leeway to dispose of the questionable cases—the cases where there is room for honest differences of opinion. Such cases must either be wholly approved or wholly denied. Due to such inflexibility of claims administration, the Congress will undoubtedly be flooded with complaints of those who feel they were unfairly treated when their claim is turned down.

The proposed disability determinations would, of course, be subject to both administrative and judicial review. I would not even hazard a guess as to the additional number of administrative, quasi-judicial, and judicial personnel who would be needed eventually to operate the appeal procedures.

How, under a complex administrative system, can you really maintain uniformity of action throughout the country? Try as you will to establish standards, policies, and procedures to assure nationwide

equality of treatment, ultraliberalization will be the rule in some areas, fair administration in others, very strict interpretation in others. I would refer to State decisions on what constitutes total, permanent disability to back up this statement, because with the same clause interpreted by courts of different States we have come down to the fact that certain people who are only 25-percent totally disabled have been found to be totally and permanently disabled for the benefits under a life-insurance policy.

Just to add a little levity to the discussion, in checking some of these decisions, I found that even elected officials at times come under various interpretations of the clause and I just jotted down two decisions that I thought you might be interested in.

One court said that—

the very nature of an employment growing out of a popular election is such that it cannot be considered in determining what is total and permanent disability within the meaning of the policy.

Another court said:

In addition to sustaining a substantial decrease in income, his presently referred to occupation of sheriff has absolutely no stability or fringe benefits found in most occupations and particularly found in plaintiff's original occupation. His security is totally dependent upon the will of the local people. It is in no way necessarily related to his physical condition or ability to serve. Undefinable intangibles control his future.

So it seems to me that every time you have a different occupation you have a different decision from some of the courts.

Many people become totally disabled. Relatively few remain permanently disabled. But where is the break-even point between the incentive to work and the incentive to become and remain totally disabled?

There are already in operation throughout the United States many plans which provide various benefits for both short- and long-term disability. If we add another layer of disability benefits, as this bill proposes to do, to the attractiveness of such income-tax-free payments, we further depress the incentive to return to work and inflate the desire to remain disabled.

In periods of economic recession or actual depression, our past experience has shown that disability benefits tend to become unemployment benefits for people with real or fancied ills, who, if their business had not failed or their employment had not been terminated, would have continued to work. Such benefits, as the individual grows older, tend to merge into retirement benefits.

One final point: Legislation such as this should not be considered in a vacuum. In addition to considering the welfare of the individual, consideration must also be given to the welfare of the Nation and its economy.

The interests of the disabled individual and the Nation are interdependent and are best served when that individual is returned to a productive role. This is particularly important at the present time when, with a world divided, with a potential opposition which has overwhelming superiority of manpower, wisdom demands that our productive capacity be maintained at a maximum level.

The CHAIRMAN. Thank you, Mr. Reidy.

Have you available a definition of "permanent disability" included in the insurance policy?

Mr. REIDY. The general definition in life insurance policies first was that the individual——

The CHAIRMAN. Have you got the exact language? I want to compare it with the language in the bill.

Mr. REIDY. I can give you the exact language of our own clause right now, which is a very liberal disability provision we instituted about 3 years ago. The definition in our own contracts is that the incapacity of the insured resulting from bodily injury or disease which prevents him from performing substantially all of the work pertaining to his occupation or any other occupation for which he is or may be suited by training, education, or experience.

That is a very liberal definition peculiar to our own company. Most of the other companies at the present time still say that he must remain unable to follow any occupation—totally and permanently disabled.

Of course, you have a 6 months' condition there. If he is totally disabled for 6 months, that in and of itself will be presumed to be permanent disability.

The CHAIRMAN. How do you think that compares to the definition of the bill?

Mr. REIDY. I have studied the definition of the bill, Senator Byrd. I think it is a good definition, because I do not think, no matter what definition you put in writing, when these definitions go to the courts, based on our experience, it depends on the court, it depends on the jury, it depends on the area as to how they will define that total and permanent disability clause.

The CHAIRMAN. In the case of the insurance companies, the doctors, the insurance company employs the doctors to make the examinations, do they not?

Mr. REIDY. On disability?

The CHAIRMAN. Yes.

Mr. REIDY. Only in the unusual case. If we have a doubtful case, for example, we will retain a physician or specialist to examine the insured at our expense, yes, sir, but on the determination as to whether or not the man is totally and permanently disabled, our procedure is that only if it is a questionable medical case is the case referred to our medical department for expert medical opinion.

We get the proofs. We also have our inspection reports where we have interviewed the doctor and have interviewed the claimant. We have also checked with the employer, you see. And we have a pretty good background by the time we approve the case.

We do not use doctors on every case.

The CHAIRMAN. Is it your understanding that any contributor to the social security could take a case into the Federal courts in the event that his application for total disability was not granted?

Mr. REIDY. Yes, sir. As I read the bill you have six administrative steps.

If you are turned down initially, then you have a right to go to the appeals board, and if the appeals board decides "no," then you have a right to go to one higher echelon in the Social Security Administration. And then after that, you have the right of judicial review by proceeding through the Federal District Court; and then, naturally up through the Circuit Court of Appeals.

The CHAIRMAN. Thank you very much.

Any other questions?

Senator GEORGE. I do not have any questions, but in the case of disability of veterans, the court did finally decide that since the policy was a contract, that the veteran could not be denied the right to judicial review ultimately. It may have been held and properly that the administrative remedies given should be exhausted but then in the Lynch case they held that the insurance benefits were contractual and that the holder of the policy, the veteran, was entitled to a judicial finding.

And that would undoubtedly be true, I think you are right, in social-security cases, because it is a compulsory, not a voluntary system—a compulsory system supported by taxes levied on the insured and levied on his employer.

Mr. REIDY. Yes, sir.

Mr. FITZGERALD. With benefits as a matter of right.

Senator GEORGE. He would have a right of final review in court.

Mr. REIDY. We have gotten far down on the administrative law. I believe we should have a lot of these decisions reviewed by our courts.

Senator GEORGE. I share your view.

Senator BARKLEY. Are you recommending concretely that we eliminate from this bill the question of total disability altogether or that we try to write a new definition or a new formula for determining total disability?

Mr. REIDY. I am recommending that you knock out the total and permanent disability provisions from the bill completely.

Senator BARKLEY. Is that because of the difficulty of determining what is total disability or the unwisdom of having any total disability provision in any social-security law?

Mr. REIDY. I would say, in answer to that, both reasons. No. 1, that social security was originally introduced to provide a basic floor of protection. When you get into the disability provisions, you are expanding that into a nationwide compulsory insurance field.

But there are other reasons, too. Our experience has shown that you really cannot write this thing successfully without very strict selection of your risks, because, unfortunately, while the great majority of American people are very honest, there is always a group that will always take advantage of these things.

And in this field it only takes less than one-half of 1 percent of that type of individual to throw your entire scheme out of kilter, because for every 1 percent, why you double your costs.

Senator BARKLEY. I am looking at it from a long-view standpoint. Do you think we can permanently maintain a social-security system in this country without including in some way or another the total disability question?

Mr. REIDY. I would hope so, for one other reason, just the cost of this thing alone. I think it is coming to the stage where the American people are going to get up on their hind legs some day and call a halt to this thing.

Even this bill itself proposes that by 1975 if these amendments go through, your individual worker, your self-employed, your farmer with $4,200 income is going to be paying more in social-security taxes than he is paying in income taxes, based on the rates today.

The farmer in 1975 will under the proposed bill be paying 6 percent social-security taxes which is on his gross income, not on his net income. That is, the farmer with an income of $4,200 with a wife and 2 children, on the basis of the present income-tax rates will be paying about $276 income tax but paying $283 a year social security.

Those figures I took from the House committee report of this bill, sir.

Senator BARKLEY. That is all.

The CHAIRMAN. This bill increases by 1 percent the payroll tax.

Mr. REIDY. Immediately; yes, sir.

The CHAIRMAN. $750 million will fall on the employers and $750 million annually on the employees.

Mr. REIDY. Yes, sir.

Senator CARLSON. Just this one thought: If we should approve this disability provision and the present rates are based on the present anticipated program, is it not reasonable to assume that the demand might even be greater than we anticipate at the present time and would have to increase the rates further to protect the system?

Mr. REIDY. I would say that, once you get the least start of quivering in our economic situation, your disability claims are bound to go up.

Mr. FITZGERALD. And your income will go down.

The CHAIRMAN. Is it not also true that under this 1 percent tax there would be an average cost on each social security payee of $21 a year?

Mr. FITZGERALD. That is correct; yes, sir.

The CHAIRMAN. And it will be for the benefit of 2 classes—namely, those that are disabled at the age of 50, and women being reduced from 65 to 62—and that many on the social security will pay $21 a year, and they themselves get no direct benefit out of this increase and the change in the law.

Mr. FITZGERALD. Yes, sir.

Senator GEORGE. They do get, though, greatly increased protection.

The CHAIRMAN. If they do not happen to be permanently disabled and if they do not happen to be——

Senator GEORGE. They do not get the money, but they have the protection.

The CHAIRMAN. If they do not happen to be a woman, they do not get anything.

This tax that they pay—conceivably they could pay it for 45 years at $21 a year.

Mr. REIDY. It is estimated you would have a quarter million people totally disabled the first year, none of whom have paid 1 penny of premiums toward the fact they are going to get an average of $70 or $80 a month disability.

The CHAIRMAN. This 1 percent is to be devoted, and the purpose is for 2 classes, one, permanently disabled above 50, and the other, women being reduced from 65 to 62.

Mr. REIDY. Yes, sir.

The CHAIRMAN. A man starting out to work at 20 years of age, then, at 65 will have paid $21 a year for 45 years, and he would not get one cent of benefit by reason of this additional 1 percent. Is that correct?

Mr. REIDY. That $21 is an increase over what he is now paying.

The CHAIRMAN. I understand that. I say the increase——

Mr. REIDY. That is correct.

The CHAIRMAN. Is to be devoted to these two particular objectives; one, disability, and the other, to reduce the age of the women.

Mr. REIDY. That is correct; yes, sir.

Senator GEORGE. He would have greater protection for his wife and children and family.

Mr. REIDY. If he became totally disabled at age 50; yes, sir.

Senator GEORGE. Of course, but the protection is there. It is not a bad system for the individual.

Mr. FITZGERALD. Or if his wife happened to be younger.

Senator GEORGE. Yes.

Mr. REIDY. Under private insurance there are many, many millions of people already covered. I think there are over 39 million people already covered, not counting total and permanent disability clauses in life insurance policies, who have continuance-of-income protection, either through accident or health policies or Government sick leave and the like, in case of disability.

Senator GEORGE. That is true.

Senator BARKLEY. Do you see any analogy between unemployment not due to the fault of the employee, who originally received unemployment compensation—I think for 26 weeks, that being the maximum under the social security law—and unemployment because of disability not due to the fault of the employee? Is there any analogy there, so far as logic or Government obligation may be concerned? They are both unemployed, we will say, without any fault of their own.

The cause of unemployment may be a condition in the country for which he is not responsible. And the other is because of disability for which he is not responsible, we will say. Is there any analogy between those two sets of people?

Mr. REIDY. I would say you would find some analogy. First, on the unemployment you do have most of them covered for, say, 26 weeks. In some States legislation is introduced to take it up to 30 weeks.

Then you also have the group covered by workmen's compensation today in all of the States who receive certain benefits once they become disabled.

On top of that, you add your private plans and your medical insurance, the major medical and hospital-surgical insurance—you are adding more layers there.

But when you come to the occupational groups who have a seasonal occupation, let us say, sometimes you will find, I think, the disability merging into the unemployment, and at times you wonder whether the man is actually totally and permanently disabled or whether the job is not open for him at the present time.

Senator BARKLEY. There is always overlapping. You cannot draw a straight line anywhere and say, "All on the right represent one thing, and all on the left represent another." You have to try to strike an average, I know, in some way or other.

I see difficulties here in eliminating altogether any provisions for total disability. It will be difficult to do because of sentimental and emotional reasons and others, as well as economic and sociological.

It is not easy to eliminate a whole class of people and say, "You cannot come in."

Senator GEORGE. It may be that the Government should care for the totally and permanently disabled in another way. That may be the real and best solution.

Mr. REIDY. I believe Mr. Miller will touch on that.

Mr. FITZGERALD. We would like to offer some testimony in that area.

Senator BARKLEY. Are you a lawyer?

Mr. REIDY. Yes; I am.

Senator BARKLEY. That is a compliment, too, I will say; you talk like one. [Laughter.]

Senator CARLSON. May I ask if you have given any thought to the effect that this might have, if it would have any, on the present old-age assistance program we have?

After all, we have a large percentage of our people that cannot receive the benefits of OASI who are taken care of by the Federal Government, State, and local.

Would reducing the age to 62 have any effect? Would this provision have any effect on that group?

Mr. REIDY. I would like to pass that question to Mr. Miller, who is an actuary and can answer it better.

Mr. FITZGERALD. His testimony covers that very point.

The CHAIRMAN. I would like to make one more comment about the cost. We are entering into a new field, we all recognize that, when we come to disability of any kind.

If this bill should pass in its present form the total cost will be $7.5 billion a year on a 5-percent basis. That is one-half on the employer and one-half on the employee. It will be increased still further as the years go on.

Any tax on the wages that are earned in view of the constantly advancing wages is a very serious matter. The tax on net incomes in the high brackets is bad enough but the tax on the gross payments for wages and a rising scale as we have had in the past years is something else.

I think it is that, particularly, we should bear in mind that the self-employed is the one that will suffer the most among the employees, because the self-employed has to pay the total amount with slight reductions and that is not subject for deduction on his income tax, that is, these payments, while the employer that pays does have the privilege of taking it off the Federal income taxes.

Mr. REIDY. Yes, sir.

The CHAIRMAN. I simply make that observation because if we embark upon the matter of physical disability at the age of 50 that will be claimed—we all know that.

Mr. REIDY. Supplementing that point——

The CHAIRMAN. As time goes on—this is just the beginning—the camel getting under the tent. That is my opinion. I think that we should bear that in mind in this consideration.

Mr. REIDY. I was going to say, supplementing your very point, the self-employed furthermore pay this tax on their gross income and not on the net taxable income, so that you have a higher tax here really than you do under the income tax.

The CHAIRMAN. And a great many people self-employed in small businesses now are complaining very greatly about the present tax.

The chairman has received quite a number of letters lately about it from the self-employed farmer who wants to get out of it completely.

Thank you very much, Mr. Reidy.

Mr. FITZGERALD. Mr. Miller.

STATEMENT OF JOHN H. MILLER, VICE PRESIDENT AND ACTUARY, MONARCH LIFE INSURANCE CO.

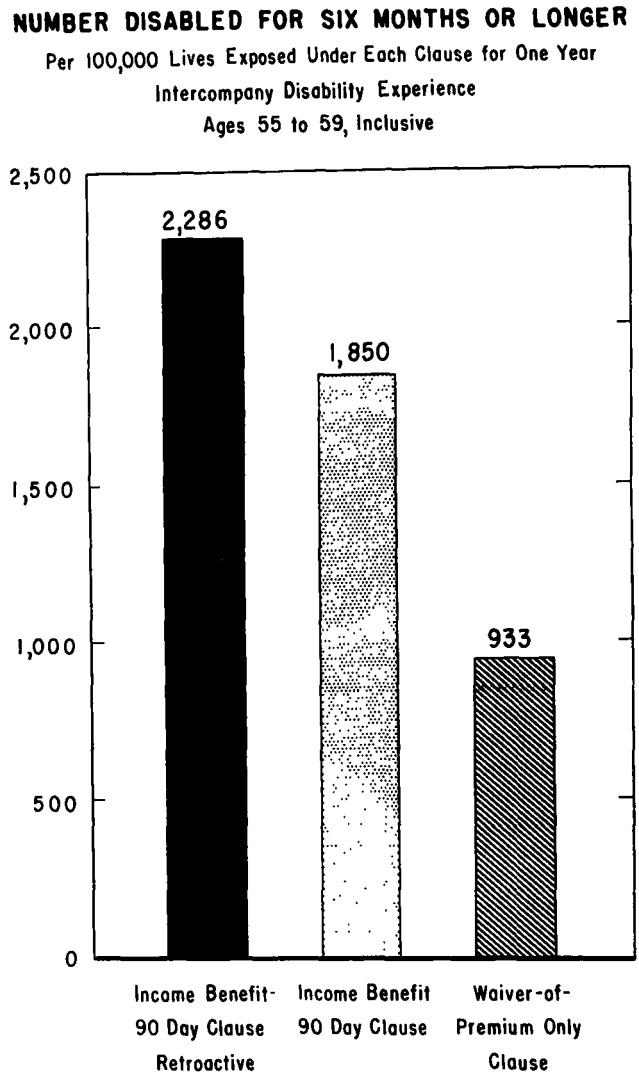
Mr. MILLER. Mr. Chairman and members of the committee, Mr. Reidy's account of the experience of life-insurance companies with disability benefits argues strongly against the inclusion in the OASI system of cash benefits for disability.

I wish to point out additional dangers in the disability proposals, and an alternative which will not only avoid these pitfalls but will, in our opinion, make a positive contribution to the welfare of the disabled people of our country.

Disability pensions discourage rehabilitation and return to employment. It has been repeatedly demonstrated that disability tends to be unduly prolonged when cash benefits are payable, particularly if they are paid as a matter of contract right.

Chart A shows, for ages 55 to 59, the number of persons disabled for at least 6 months from each 100,000 alive at those ages, according to the experience of leading life-insurance companies.

(The chart is as follows:)



Mr. MILLER. The first bar is based on the most liberal benefit issued—one which commenced paying cash benefits if total disability lasted 3 months or longer, with payments retroactive to the beginning of disability.

The middle bar measures the results under a benefit that was similar except that no retroactive payments were made.

The third bar represents a benefit providing only for waiver of the life-insurance premium. The chart shows that, as compared with the waiver of premium benefit, twice as many people were adjudged disabled when cash benefits were paid, and when these benefits were retroactive even more disabilities were established.

Moreover, after 15 years of disability, as shown by chart B, the disparity between the number still receiving cash benefits and the number qualifying for waiver of premium has increased.

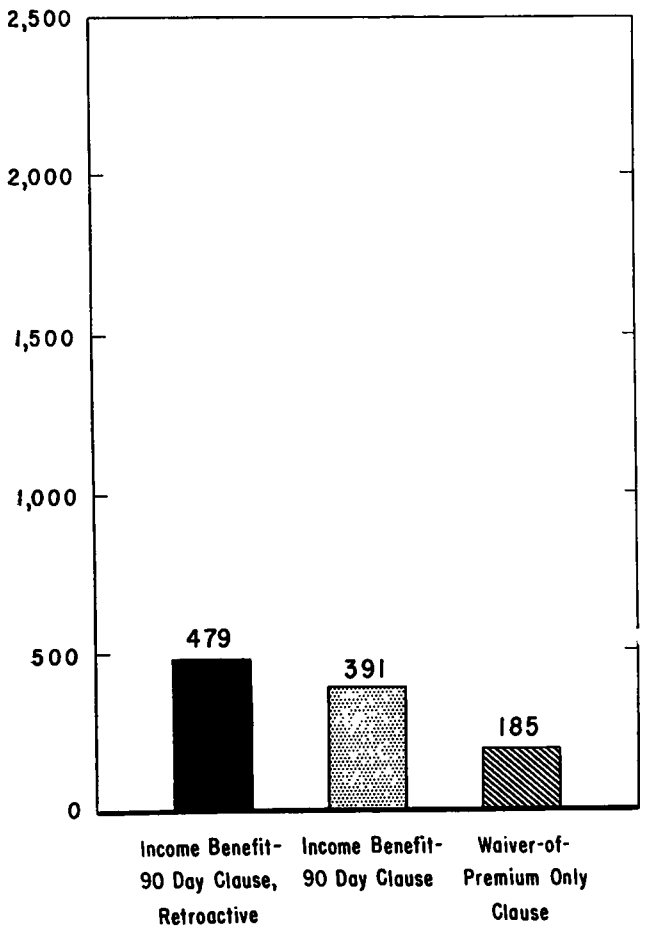
(Chart B is as follows:)

NUMBER DISABLED FOR FIFTEEN YEARS OR LONGER

Per 100,000 Lives Exposed Under Each Clause for One Year

Intercompany Disability Experience

Ages 55 to 59, Inclusive



Mr. MILLER. These data are based on the years 1935 to 1939. At the depth of the depression the disability rates under cash benefits were much higher.

I do not conclude that the difference between the number qualifying for cash benefits and the smaller number receiving waiver of premium is wholly comprised of fraudulent claimants or malingerers.

Of course, there are many of these—and even a few such cases add significantly to the cost—but largely the difference is made up of what might be termed "elective disability."

A friend of mine is successfully operating his own business despite the fact that two-thirds of his body is paralyzed. Medically, he is without question totally disabled. Economically, he is more competent and productive than the average person.

Conversely, there are many people collecting disability pensions by virtue of impaired hearts or other chronic disease who would be better off in some gainful employment, consistent with their physical limitations.

A person who has suffered a serious injury or illness naturally seeks security for himself and his family. Even though he may wish to be self-supporting, his fears of possible failure and his desire for security can deter him from attempting to work or to become rehabilitated, when a disability income is available.

The security of the guaranteed disability benefit, its exemption from income tax, and the escape from the many expenses incidental to employment may make even a small benefit more attractive than a much larger wage.

Under H. R. 7225, a person must remain disabled for at least 6 months before receiving benefits. The adjudication of disability presumed that he will be disabled permanently or for a long and indefinite period.

The bill also provides that he will be referred for rehabilitation services. The emotional damage in being certified for a long-term disability pension, the conflict between the challenge of rehabilitation and the security of the pension, and the probable delay in commencing rehabilitation under this divided approach are obvious.

Rehabilitation should be attempted before, not after, certification of disability. It should not be given a secondary role. In the light of all the evidence as to the "dis-incentives" inherent in cash disability benefits, it would be most unfortunate if Congress should enact any legislation having the tendency to impede rehabilitation, for it would be most difficult, if not almost impossible, to modify or repeal it, even after its unfortunate consequence became clearly evident.

THE NEEDS OF THE DISABLED REQUIRE INDIVIDUAL CONSIDERATION

A disability benefit determined by formula on the basis of wage records over past years cannot be expected to measure the future needs of the disabled person, which vary according to his condition, education and training, family situation, mobility, and other factors.

Old age and disability should not be confused. Old age is a normal state which all can look forward to and plan for. It should not be assumed that a program for the aged is adaptable to the much more complicated problem of disability.

DISABILITY ASSISTANCE CAN MEET THE NEEDS FOR CASH BENEFITS, WITH DUE REGARD TO INDIVIDUAL PROBLEMS

Through the assistance program the need for cash benefits is being met or can be met, in every State, in a way that provides individual consideration of the problems of each case.

With the need thus met, the Federal Government should not, in our opinion, assume the incalculable risks of granting cash disability benefits as a matter of right through the OASI system.

CONFLICTS OF ADMINISTRATION WOULD CAUSE SERIOUS DIFFICULTY

Disability assistance payments being made today in a number of States average more, per capita, than the OASI primary benefits, indicating that the proposed benefit would, in many cases, need to be supplemented by disability assistance.

Also, the latter would still be required for individuals not eligible for OASI. The disability assistance programs are in most cases administered by the public welfare agencies. The determinations of disability for OASI benefits would generally be made by the State vocational rehabilitation agencies. Since many disabled persons will qualify under both programs, two administrative agencies will frequently be dealing with the same case. When ether agency has certified a disability, the other may be under pressure to do likewise.

For this reason and because of many other local and regional influences, it will be most difficult to maintain uniform adjudication and administration throughout the Nation. Should the benefits from the OASI Trust Fund, to which all covered persons have contributed on a basis that is uniform throughout the country be paid out on an uneven basis, serious questions of equity would be raised.

CASH BENEFITS FOR DISABILITY ARE INCOMPATIBLE WITH THE BASIC STRUCTURE OF THE OASI SYSTEM

Entitlement to the present benefits under OASI is determined on an objective basis involving provable facts of employment, wages, age, death, and marriage. While the freeze does require disability determinations, this only affects the average wage computation and insured status and does not result in a current benefit payment.

The injection of cash disability payments, determined on a subjective basis, would radically change the whole nature of the OASI program and would bring the Federal Government into direct controversies with its individual citizens.

We propose that Government adopt a constructive program of meeting the needs of the disabled by providing services directed at preventing the economic hardships following disability rather than by offering the palliative of more cash subsistence payments.

We urge the acceptance of the new concept that physical or functional disability does not necessarily result in economic disability; that the person who has a disability also usually has many abilities which, through rehabilitation, can be developed and utilized. It has even been said that "the idea of disability itself is outmoded."

> The idea of disability itself is outmoded. When a specified "disability" does not in truth disable, the "disability" ceases to be a disability. Yet there remains the question of securing acceptance of this changing concept by employers and the public.
>
> During the past 10 years, there have been developments in the several fields relating to disability which have radically broadened the extent to which handicapped persons may be restored to activity and gainful employment (report of the Task Force on the Handicapped to the Chairman, Manpower Policy Committee, Office of Defense Mobilization, Jan. 25, 1952, Washington, D. C., U. S. Government Printing Office, p. 14).

Currently the Nation is making disability assistance payments to nearly a quarter of a million people at a yearly cost of about $660 per recipient. Only a fraction as much is put into the rehabilitation

program, despite its proven economic and humanitarian values, and only about 60,000 persons are being rehabilitated each year.

I might add with this disability assistance and the other programs, the aid to the blind, the aid to dependent children, and general assistance, State and Federal Government are paying approximately half a billion dollars a year in support of disabled persons, and this is more than 12 times the amount that is being spent with such fine individual results on the rehabilitation program.

In 1954, Congress gave the rehabilitation program notable support, but we urge that more should be done.

Our first recommendation is that all people seeking governmental assistance because of disability be referred initially to their State rehabilitation office, so that a rehabilitation evaluation can be made before and not after there has been a finding of total and permanent disability.

It is highly important, authorities say, that rehabilitation start as soon as possible after the injury or the onset of disability, and it is equally important that the idea of rehabilitation be planted in the patient's mind at the earliest possible moment.

This rarely happens under the present program, nor would it under the proposed legislation which places primary reliance on cash benefits. Our first recommendation, of course, contemplates that anyone who is referred to his State rehabilitation office would be entitled to an analysis as to his need for rehabilitation services as well as to receive such services as may be indicated by the analysis.

This proposal would avoid the "dis-incentives" of a cash benefit, would bring the services of rehabilitation to handicapped and disabled citizens before it is too late, would add to, rather than detract from, our manpower supply, and would restore the dignity and usefulness of thousands of citizens who would otherwise drag out their remaining years on a disability subsistence benefit.

Senator BARKLEY. May I ask you a question right there? If I understand your proposition it is that the Federal Government get entirely out of the disability field and that all such be referred to the State disability authorities or rehabilitation authorities.

The Federal Government has no power to compel the State to do anything in regard to that after he has been referred to them. And would you find any difficulty there?

I am not intimating that the State would not cooperate fully and I think they would, but the mere reference of the case to the State authority would not automatically cause any action.

I do not suppose any rehabilitation program can be completely successful. There are human beings that cannot be rehabilitated. In cases like that, what would you do—what would you have the Federal Government do?

Mr. MILLER. Our proposal would not in any way reduce or eliminate what either Federal or State Governments are doing today in this field. We would not propose any retraction in the disability program. Our thought is that if people who seek disability assistance were first sent to the vocational rehabilitation office, before anybody says, "Yes, you are disabled and entitled to this benefit," that office, rather than the State public welfare branch, would make the disability determination. Their primary emphasis would be on getting this

man rehabilitated, and they would exhaust that approach before they even suggested the idea that he was totally and permanently disabled and would have to rely on governmental benefits.

Senator BARKLEY. You do not advocate that the Federal Government set up any machinery for this but refer them all to the State rehabilitation authorities?

Mr. MILLER. We simply advocate the continuance of the present mechanism but giving it more support, so that it can rehabilitate 3 or 4 or 5 times as many people as are now being rehabilitated.

At present the rehabilitation services are provided through State offices which are supported in large part through Federal grants and they have the leadership of the Office of Vocational Rehabilitation in the Department of Health, Education, and Welfare, but each State runs the office subject to that supervision and financial support.

And we would urge the continuance of that same program, but its enlargement and efforts to make it more effective——

Senator BARKLEY. Pardon my interruption.

Senator CARLSON. Right on that point we might follow it through:

It seems to me, Mr. Miller, that this is a suggestion that should have some consideration by the committee. We in Kansas very greatly expanded our vocational rehabilitation program. During my administration as Governor we devoted a considerable increase of money to it. We secured some very fine people and have had splendid cooperation with the Federal Government.

It occurs to me that this is a suggestion that might have some merit if we go into this program.

Mr. MILLER. Thank you.

Senator BARKLEY. I was not suggesting that it did not have merit. I was trying to elucidate what Mr. Miller had in his mind about it.

Mr. MILLER. Thank you.

Our second recommendation is that the civilian rehabilitation program be expanded to provide services to people who, by reason of age or the severity of their impairment, will probably never be able to work, but who may be trained to care for themselves.

I might add it is limited to people who can probably be returned to work. And the officials in charge are not permitted to provide services to a person unless in their opinion those services can be expected to result in his eventual reemployment in competitive industry.

The person who can merely be aided is at present denied those services.

This type of rehabilitation has economic value since it may release the time of a caretaker who could then accept productive employment; or it may release a hospital bed. The human values of such nonvocational rehabilitation are obvious. Rehabilitation puts "life into living" for the chronically ill, to many of whom disability otherwise means only a "living death."

It should be noted that this proposal would extend rehabilitation services to a class of ill and handicapped people for whom, by reason of their lack of attachment to the labor force, H. R. 7225 offers nothing.

This recommended two-point program would, of course, require a great increase in rehabilitation facilities and personnel. On the other hand, the disability proposals of H. R. 7225 would necessitate the recruiting and training of a veritable army of claims personnel

to adjudicate, administer, and police the payment of cash benefits, which at best would merely provide a subsistence to those who have accepted a state of permanent disability.

How much better to spend the same amount of effort, manpower, and money in developing rehabilitation services to prevent or minimize the economic costs of chronic disease and disability.

Of course, there will be those for whom rehabilitation is unsuccessful, only partially successful, or not feasible. For these, disability assistance provides a more complete and individually adaptable source of income than rigid formula benefits available only to those having at least some attachment to the covered labor force.

Also, the rehabilitation act provides for payment of maintenance benefits, where needed, during the rehabilitation process.

Furthermore, the referral of all applicants for disability assistance through the rehabilitation service would not only assure that everyone is given a timely and proper evaluation as to his potential abilities, but it would also provide a consistent basis for determination of entitlement to disability assistance, where rehabilitation is not the solution.

IN CONCLUSION

The problem of disability is a most serious and complicated one. It requires much deeper study than has yet been given. We do know, however, that through rehabilitation much has been accomplished, and with increased leadership and support on the part of the Government, much more can be done. We know from actual experience much about the hazards of cash disability benefits but little about their possible cost under a universal plan.

We therefore urge that the Nation follow the positive and constructive course of further developing its rehabilitation facilities and avoid the negative and dangerous course of entering into the unknown field of cash disability benefits paid as a matter of right.

The CHAIRMAN. Thank you very much, Mr. Miller.

For the information of the committee, the Chair would like to ask that this group prepare the following information: Take the total number of those paying social security and give your estimate of the percentage of those who will ask or will be available for permanent disability at the age of 50.

Secondly, give the percentage, by number, of women, who will apply for the 62 instead of 65 year provision.

And then give the same information for the disability at the age of 40, and at the age of 30.

And then that same information for disability incurred any time, because it follows it seems to me, that we cannot arbitrarily take an age of 50. A 40- or 30-year-old man has as many family responsibilities as one of 50 years of age.

I am asking that not to determine my position but information when we come to consider the bill. Is that clear?

Mr. MILLER. Yes, sir.

Mr. REIDY. We can get the complete request from the reporter.

(The information referred to was subsequently received for the record as follows:)

AMERICAN LIFE CONVENTION,
LIFE INSURANCE ASSOCIATION OF AMERICA,
Washington, D. C., March 5, 1956.

Hon. HARRY F. BYRD,
United States Senate, Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: You will recall that on February 14, following the testimony of a panel of life insurance witnesses before the Senate Finance Committee on the pending social security amendments, you requested certain estimates. Specifically, you asked for the proportion and number of persons who would qualify for the proposed disability benefits commencing at age 50; for corresponding information if the qualifying age were reduced to 40, 30, or were eliminated; and for the proportion and number of women who would receive benefits by reason of the proposed reduction in the female retirement age from 65 to 62.

A group of experienced and well-qualified life insurance actuaries was called on to prepare the requested estimates. The group was headed by John H. Miller, vice president and actuary of the Monarch Life Insurance Co., one of the witnesses who testified on February 14. The others in the group were Henry E. Blagden, second vice president and associate actuary of the Prudential Insurance Company of America; Manuel R. Cueto, actuary of the New York Life Insurance Co.; William J. November, vice president and associate actuary of the Equitable Life Assurance Society of the United States; and Mortimer Spiegelman, associate statistician of the Metropolitan Life Insurance Co.

The memorandum prepared by this actuarial group is attached hereto. Their conclusions are summarized at the outset.

If we can be of further help in any way, please call on us.

Respectfully yours,

AMERICAN LIFE CONVENTION,
CLARIS ADAMS, *Executive Vice President and General Counsel.*
LIFE INSURANCE ASSOCIATION OF AMERICA,
EUGENE M. THORÉ, *General Counsel.*

[Memorandum]

ESTIMATES OF SOCIAL SECURITY BENEFICIARIES UNDER CERTAIN POSSIBLE AMENDMENTS

On February 14, 1956, Senator Harry E. Byrd, chairman of the Senate Committee on Finance, called on a panel of witnesses appearing before the committee on behalf of the life insurance business to furnish certain estimates relating to proposed social security amendments under consideration by the committee. The undersigned were asked to prepare the estimates requested by Senator Byrd, and this memorandum presents the material which has been developed.

ESTIMATES REQUESTED

The questions asked by Senator Byrd, in substance, were as follows:

1. Of those paying social security taxes, what proportion would apply and qualify for the proposed disability benefits in H. R. 7225 payable beginning at age 50? How many people would so apply and qualify?
2. What would the above figures be, if the benefits were made available beginning at age 40? At age 30? Without regard to age?
3. How many women between the ages of 62 and 65 would draw benefits by reason of the proposed reduction in the social security retirement age for women to 62? What proportion is this of the number of persons of all ages paying social security taxes?

For reasons mentioned subsequently, it was considered best to answer questions (1) and (2) above with respect to the year 1970 and question (3) above with respect to the year 1980.

SUMMARY OF CONCLUSIONS

The material we have assembled and the considerations we have borne in mind are presented later. The chief conclusions and implications stemming from our work may first be summarized as follows:

1. Estimating the probable number or proportion of persons who would qualify for disability benefits under the OASI system is not possible within any reasonable range of accuracy.

2. However, an illustrative computation based on experience under the railroad retirement system, with certain adjustments, yields a figure of 1,600,000 persons aged 50 or more—but less than 65 for men and 62 for women—who would draw OASI disability benefits in 1970. The number actually qualifying for disability benefits under the OASI system might be substantially higher than railroad experience would suggest for reasons given later.

3. The above figure of 1,600,000 represents about 2 percent of the estimated number of persons who will be paying social security taxes in 1970.

4. According to the illustrative computation mentioned above, there would be about a 16 percent increase in the number and proportion of persons who would draw OASI disability benefits if the eligibility age were reduced from 50 to 40. The increase would be about 21 percent if the eligibility age were reduced from 50 to 30. There would be no significant further increase if the eligibilty age were entirely eliminated. Consequently, if the eligibilty age were 40, the illustrative figure for beneficiaries would be 1,860,000 or 2.3 percent of the estimated number of social security taxpayers; and if the eligibility age were 30 or below, the figure for beneficiaries would be about 1,940,000 and the percentage would be 2.4 .

5. Estimating the probable number of women between the ages of 62 and 65 who would draw OASI benefits in 1980, if the female retirement age were reduced from 65 to 62, also involves imponderables that detract from the possibility of arriving at accurate figures. However, a rough computation indicates that the number would be nearly 2 million, or about 2 percent of the estimated number of men and women of all ages who will pay social security taxes in 1980.

DISABILITY BENEFICIARIES

Each of the three actuaries—all highly qualified men—who has prepared disability forecasts for the Social Security Board or Administration has approached the forecasting of beneficiaries and payments with extreme caution and each has repeatedly emphasized the uncertainties surrounding the figures he offered. It is of interest to review some of the past estimates and the precautions stated.

Review of past official forecasts

In Actuarial Study 19 (b) of January 1944, the then actuary of the Social Security Board presented forecasts in which the estimated number of primary disability beneficiaries in 1970 ranged from a low of 566,000 to a high of 2,070,000. In presenting this wide range, the report states:

"The disability rates and termination frequencies which were used in developing results producing these illustrative ranges in costs are of course synthetic and, to an extent, arbitrary. Except as a technical term, the results are not 'expected costs.' Even with the exact terms of a disability insurance program known (including a specific definition of compensable disability), and with some actual administrative experience gained thereunder, cost projections are unreliable. With neither of these advantages present, cost figures are obviously even more uncertain. Disability costs develop under an equation of 'definition', 'administration' and 'current economy,' besides under the more tangible factors of benefit formula, average wage, insured status, number of dependents, etc. Hence the ranges in costs are meant to be illustrative of reasonable swings involving the uncertainty of all these elements, but they are not limiting boundaries as to possible costs. Some persons will feel that costs of less than one-half of 1 percent of a payroll are absurdly small, others that results of nearly 2½ percent are unduly high; perhaps they would both be right.

In Actuarial Study No. 22 of August 1945, the low and high estimates on the number of primary disability beneficiaries in 1970 varied from 905,000 to 3,640,000. In commenting on these projections, the actuary stated in his report:

"Of all the demographic assumptions entering into actuarial cost work, those concerning disability are probably the most upcertain—not even excepting the rates of withdrawal from the labor force after the retirement age."

Again in Actuarial Study No. 28 of February 1949, low and high and 1,897,000, respectively, with the further qualification:

"It is conceivable that if there were not strict administrative practices, there could be low termination rates combined with high incidence rates, which would produce appreciably higher costs than shown here. Also in a period of severe

depression if there were not adequate unemployment insurance and assistance or work projects, there would tend to be higher disability costs than shown here—especially if the scale of disability benefits were relatively high as compared with other available benefits or assistance. On the other hand, extremely low costs would develop if low incidence rates were combined with high termination rates, but this hardly seems a possible combination under any circumstances."

The three sets of official forecasts, mentioned above, are not fully comparable with one another because they relate to different proposals and they assume different benefit provisions and different limitations as to coverage. The wide range in estimates which have been made officially is nevertheless noteworthy.

No reasonably accurate disability forecasts possible

All the official OASI disability forecasts have been based, at least to some extent, on disability rates derived from life insurance company experience, with or without modifications based on the actuary's judgment. In our opinion, there is no reasonable assurance that rates based upon experience with insured lives which were individually selected will be applicable to a disability pension system for the general public.

Since we agree with the statement made by Chief Actuary Robert J. Myers of the Social Security Administration in his testimony before the Senate Finance Committee on January 25 that "there are no completely pertinent and valid data" on which to base OASI disability forecasts, and because of the other reasons brought out in the above quotations and in the testimony of the life insurance witnesses before the Senate Finance Committee on February 14, we do not feel that a forecast, in the usual sense of the term, can be made within any reasonable range of accuracy.

An illustrative computation

Despite the above conclusion, we have made an illustrative computation to give a benchmark and to indicate the extent to which the eligibility age for OASI disability benefits might affect the number of beneficiaries. This computation, made for 1970, used available data gathered, not from insurance sources, but from a public program operating in this country—the railroad retirement system. The figures resulting from the computation were cited earlier in our summary of conclusions.

Our computation started with projections of population and of labor force participation on a high employment basis, as published by the Bureau of the Census. For the purpose of the illustration, males in the labor force were arbitrarily assumed to undergo the rates of disability onset and termination published in Railroad Retirement Board reports. Further, conforming to the general experience that females have a higher disability onset rate than males, for this computation the rates for females were arbitrarily taken as double those for males; and the termination rates for females were taken as somewhat lower than those for males. Since these steps in the computation were based on labor force data, allowance was then made for those who would not have insured status for the proposed OASI disability benefits. Eligibility for the benefits was assumed to cease at age 62 for women and at age 65 for men. It should be emphasized that any other set of arbitrary assumptions with regard to disability, lacking "completely pertinent and valid data," would necessarily yield different results, the degree of divergence depending upon the assumptions.

The reasons for selecting 1970 were as follows: It is one of the years shown in the official cost estimates given in the House report on H. R. 7225. It is near enough to have meaning, and yet far enough off to represent a fairly close approach to a mature program. Also, 1970 is far enough off so that the present disabled may be ignored, the great majority of whom would be over 65, dead, or recovered by that time.

The reason for basing the illustrative computation upon railroad retirement data was as that, like OASI, the railroad retirement system is administered by a public agency and covers all persons within its purview on a compulsory basis. However, as indicated in the summary of conclusions, we believe that disability experience under the OASI program could reasonably be expected to be considerably less favorable than under the railroad retirement system. The proportion of covered workers qualifying for OASI disability benefits would be substantially greater, we believe, but in unpredictable degree. Our reasons for this belief are presented next.

Reasons for less favorable disability experience in OASI than in railroad retirement

Railroad employment covered by the railroad retirement system differs in important respects from the many types of casual and part-time employment included within the purview of the OASI system. The same sort of important differences also exist with respect to the other systems, more or less similar to railroad retirement, for which disability experience data also exist. Among these differences, which can have marked effects on cost, are the following:

1. *Attitude.*—The attitude of those who can obtain and retain employment covered by a program such as railroad retirement is significantly different from that of many itinerant and part-time workers connected with the OASI system. Persons without the initiative and desire to be independent and self-supporting can hardly remain in regular railroad employment, but many such people through intermittent and casual work could retain an attachment to OASI sufficient to qualify for the proposed disability benefits.

2. *Preselection for employment.*—Applicants for employment in the railroad industry, and in other areas of relatively stable employment, may be required to undergo medical, character, and mental screening. Medical selection tends to eliminate people with congenital or acquired disabilities or handicaps. Character selection tends to eliminate those with shady reputations as well as criminals. Mental selection tends to eliminate those with psychotic tendencies and many of the psychoneurotics. Such categories of persons are not eliminated from coverage under OASI.

3. *Continuing employment.*—Stable types of employment usually involve a continual screening process whereby employees who develop attitudes or habits inimical to their employment are eliminated. Thus, a group of railroad employees continues, to a considerable extent, to be a select group. Such is not the case with many forms of itinerant employment and self-employment covered under OASI. Moreover, steady income permits favorable and healthful living conditions with adequate medical care. And similarly, in-plant medical services, often available in stable employment, permit correction of minor injuries and detection of disease before serious consequences develop.

4. *Recovery from disability.*—A stable employer-employee relationship also has beneficial effects after disability occurs. For one thing, employee health insurance benefits—so frequently associated with stable employment—encourage people to seek early and adequate medical care, which tends to shorten the disability period. Again, malingering is minimized when the employment involves definite duties at a specific place of work during regular hours, making it easy to determine whether the individual is or is not actually at work.

5. *Characteristics of irregular or itinerant employment.*—Where income is irregular or uncertain, the occurrence of an injury or the onset of a disease often invites retirement on disability benefits, if available, whereas persons with regular income and stable employment would not be so subject to such appeal. Again, there would be serious problems concerning the many housewives not in the regular labor force. By earning $50 in 2 quarters of each year—through babysitting or any part-time employment—the housewife could obtain OASI insured status over a period of time and, upon certification of disability, obtain at least the minimum benefits.

Experience under disability assistance programs

Evidence of some of the difficulties in forecasting numbers of disabled persons can be seen in the experience under the State disability assistance programs. Currently, the number of persons receiving aid to the blind or disability assistance, expressed as a proportion of the labor force, ranges in States which have had both of these programs for at least 3 years from about 0.15 percent to 1.57 percent, with a median of 0.56 percent. These variations are relatively much greater than those between the high and low estimates of disability mentioned previously.

While the administration of the disability assistance programs involves determination of need, it seems certain that the underlying economic conditions which create that need would also be felt in the administration of disability benefits provided under the OASI system.

RETIREMENT AND SURVIVORS' BENEFITS FOR WOMEN AT AGE 62

Mr. Myers, in his testimony before the Senate Finance Committee on January 25, stated that "the estimates for the near future are of a good degree of certainty

as to wives and widows, but not as to the number of workingwomen who will retire or be retired. This is even more the case as to the long-range estimates."

Statistics published in the Social Security Bulletin and available census data support the reasonableness of Mr. Myers' estimates as to the number of wives (300,000) and widows (200,000) age 62 to 64 who could be expected to receive benefits during the first year of operation of the new provisions proposed by H. R. 7225.

The number of women who would cease working to draw old-age benefits is largely a matter of conjecture even though there is knowledge of retirement rates under private plans as well as under governmental plans such as that for Federal civil-service employees. Mr. Myers' estimate of 300,000 for this group represents about 50 percent of the women workers aged 62 through 64 whom we estimate would be eligible to apply for benefits.

One important element of future cost bears emphasis: Currently, there is only a limited number of married women aged 62 through 64 who have had sufficient attachment to the labor force during the existence of social security to qualify for benefits in their own right. As the program matures, more and more women will be able to qualify for benefits and draw such tax-free benefits while their husbands remain fully employed and able to support them. Even if the full-time employment of such women does not extend for 40 quarters, casual work like babysitting and part-time employment in department stores will offer the opportunity to complete the requisite number of quarters of coverage while the individuals are not really a part of the labor force. It is true that this is possible under the present law with a retirement age of 65, but reduction in the retirement age for women would accentuate the problem materially.

The greater part of the effect of the maturing of the program upon the number of women who have withdrawn from the labor force and remain eligible for benefits in their own right will be felt by 1980. Accordingly, we have made an estimate of the number of women aged 62 through 64 who would be drawing benefits in 1980, if the age requirement were reduced from 65 to 62, taking into account this problem of eligibility for benefits of women who may long before have severed connection with the labor force.

Our estimate was based upon an assumption of high employment and a further assumption that a reduction in the eligibility age for women under social security would not result in employers accelerating the retirement of regular women employees before age 65. However, many women covered under social security in 1980 will be dayworkers or marginal employees who, with the present work clause, could draw benefits with very little change in work habits and with an increase in aggregate income. They would continue as social security taxpayers. All of such women can be expected to apply for benefits at age 62. Consequently, the use of early retirement factors based upon regular employment understates the proportion of workers drawing benefits and for that reason our estimate may be low, even if our other assumptions are realized.

With these reservations, we estimate the number of women aged 62 through 64 who would be drawing OASI benefits in 1980 to be nearly 2 million as compared with an estimated 32 million female social-security taxpayers (and nearly twice as many male taxpayers) at that time, and estimated women beneficiaries aged 65 or over of 9.5 million.

In this memorandum we have endeavored to answer the questions raised as specifically as possible and to point out the reasons why completely specific estimates of most probable results cannot be made. If further information is desired, we will be glad to do what we can to supply it.

JOHN H. MILLER,
Vice president and actuary, Monarch Life Insurance Co.
HENRY E. BLAGDEN,
Second vice president and associate actuary, the Prudential Insurance Company of America.
MANUEL R. CUETO,
Actuary, New York Life Insurance Co.
WILLIAM J. NOVEMBER,
Vice president and associate actuary, Equitable Life Assurance Society of the United States.
MORTIMER SPIEGELMAN,
Associate Statistician, Metropolitan Life Insurance Co.

The CHAIRMAN. Any questions?
Senator BARKLEY. No.

The CHAIRMAN. Does that complete your statement?

Mr. FITZGERALD. I have one final brief statement.

My colleagues have mentioned specific reasons for believing that the costs of H. R. 7225 may well exceed present estimates. Both major proposals of the bill may be called "open end" amendments. For 20 years the OASI retirement age has been held at 65 and for a similar time Congress has resisted proposals to add cash disability benefits to the OASI system. To break new ground now with the proposed provisions would open up a vast area for possible further liberalization of the OASI program.

The final thought—or question—I would like to present briefly is along a somewhat different line. Might not the future burdensomeness of a further-expanded OASI system detract from the future productiveness of the American economy, on which all our economic security basically rests?

What would such an expanded system do to work incentives? To investment incentives? To funds available for investment in our economy from life-insurance companies, private pension plans, and other sources?

Frankly, I am not sure of the answers to these questions nor—I can safely assert—is anyone else. American economists have simply not studied them, at least not to any considerable extent nor in any systematic way. There have, however, been some competent—and rather ominous—studies made of social-security economics abroad. And we have referred to this this morning.

We in the life-insurance business are very conscious of the lack of real knowledge about the long-range economic implications of our expanding social-security structure. We want to do something about it.

As one step, the Life Insurance Association of America has made a grant to the National Bureau of Economic Research for a preliminary or exploratory study of research needs in the general field. The report of the national bureau on its exploratory study should be available in the near future.

Thereupon, we intend to digest the findings and, guided by them, to finance or aid in financing a broad study that would seek to fill in the chief gaps in knowledge about the economic impact of social security.

For such a study to be of maximum value, we recognize it would have to be made by a skilled staff working under independent, impartial auspices. We are not interested in any but a completely objective study.

Until more knowledge regarding the future impact of our social-security system on the American economy is available we hope the Congress will not enact costly expansions of the system, such as those provided for in H. R. 7225.

We thank the committee for the opportunity of presenting our views. We will be glad to answer any questions that we can or to file any supplementary material you may wish.

The CHAIRMAN. I have just one further question. Does this group consider the present social-security system as actuarially sound?

Mr. FITZGERALD. We will refer to our actuarial friends on that.

The CHAIRMAN. Which is the main one?

Mr. CREUSS. I should guess so. I certainly have no criticism of its method of financing.

Senator BARKLEY. Is that just a guess?

Mr. CREUSS. If you are talking about it as an insurance scheme with full reserves for past services, of course, it is not that. I think the present method is a pretty sound one.

The CHAIRMAN. The reserve here is the trust fund.

Mr. CREUSS. The trust fund is a working balance. At least, that is the way I look at it.

The CHAIRMAN. A pretty big working balance.

Mr. CREUSS. I understand that.

Senator BARKLEY. You think substantially it is sound as it now exists?

Mr. CREUSS. I think we are financing social-security benefits in the proper way.

The CHAIRMAN. If the system is liberalized as we now propose to do, would it be sound then?

Mr. CREUSS. The tax rate will have to go up, Senator.

The CHAIRMAN. As long as you put the tax rate up sufficiently to pay the current expenditures, I assume that it is sound.

Mr. CREUSS. That is the only way to finance social-security payments.

The CHAIRMAN. Under this bill the tax rate in 1957 will be 6.75 percent. Do you regard that as being actuarially sound?

Mr. CREUSS. Now, that is another matter. You have read how that was arrived at. Mr. Myers, of the Social Security Administration—the actuary of that Administration—made a high-cost and a lost-cost estimate. They are all outlined in the material.

And under the high-cost estimate in 1990, assuming that tax rates go up as scheduled, the trust fund is all gone. And there is some deficit in 1990 or 1995.

However, under the low cost estimate that trust fund will have increased to something well over $200 billion.

I don't criticize this method. I merely say how it is done. The intermediate cost estimate is the figure just exactly halfway between those two extremes.

I think Mr. Myers did a rather skillful job in analyzing this, but the cost estimate is just about as indefinite as anything could be, sir. I do not know whether Mr. Miller wants to add anything to that or not.

Mr. MILLER. I might mention, following Mr. Creuss' remark, that on the high cost estimate which is considered to be well within the range of possibilities or even probabilities, the level premium cost is 9.88 percent, which would indicate that the ultimate proposed tax would not be enough.

However, we do not feel that we can consider this just as an actuarial problem because in anything of this magnitude there are the economic consequences which this study that Mr. Fitzgerald mentioned are concerned with.

Whether this farmer in 1975 is going to respond properly to the $283 tax or the small-shop keeper or self-employed mechanic who will be in that same position, is one of the problems.

So the social acceptance of it, and also the economic consequences of so much money being taken out of current earnings of the working population, is more than just an actuarial proposition of seeing whether this column balances with the other column.

The CHAIRMAN. These estimates are all made, of course, on the benefits paid under the existing law.

Mr. MILLER. Yes.

The CHAIRMAN. With no allowance made nor any liberalization of the law.

Mr. CREUSS. Any liberalizations? Those contemplated in this bill.

The CHAIRMAN. One percent tax.

Mr. CREUSS. Yes, sir.

The CHAIRMAN. Do you think that tax would be adequate to finance these particular liberalizations throughout the year?

Mr. CREUSS. I think it is likely to be within the high and low cost estimates.

Mr. FITZGERALD. Probably, near the high.

The CHAIRMAN. Have you made any studies to indicate when the trust fund will cease to increase; in other words, when we will pay out as much as we take in?

Mr. CREUSS. No, sir.

Mr. FITZGERALD. I believe that is also in Mr. Myer's testimony, possibly 1958 or 1960.

The CHAIRMAN. I have tried to get two sets of estimates here.

Any questions?

Senator BARKLEY. No, sir.

The CHAIRMAN. Thank you very much, gentlemen.

The next witness is Mr. John W. Joanis, Bureau of Accident and Health Underwriters and Health and Accident Underwriters Conference.

STATEMENT OF JOHN W. JOANIS, SECRETARY AND GENERAL COUNSEL, HARDWARE MUTUAL CASUALTY CO. OF STEVENS POINT, WIS.

Mr. JOANIS. I am John W. Joanis, secretary and general counsel of the Hardware Mutual Casualty Co. of Stevens Point, Wis. I am appearing on behalf of the Bureau of Accident and Health Underwriters, and the Health and Accident Underwriters Conference, two trade associations whose combined membership of 264 insurance companies write approximately 85 percent of the accident and sickness insurance in the United States.

My statement will be primarily concerned with the provisions of H. R. 7225 which have to do with disability benefits. However, as employers we would like to register our opposition to the reduction to age 62 as the qualifying age for benefits for women.

As employers of large numbers of women, our companies are impressed with the need of encouraging women employees to remain on in employment for a longer period of years rather than to encourage earlier retirement.

The fact is that a number of companies which have had a compulsory retirement for women at age 60 have found it advisable and necessary to extend that age to 65. We feel that although the reduction to age 62 or some figure below 62, which would undoubtedly be the next step once the line is broken, would have a significant effect in bringing about early retirement even though retirement would not be compulsory.

Protection against loss of income because of disability is the oldest type of coverage in the accident and sickness field. The insurance industry has written this coverage for over half a century and at the present time covers over 29 million people.

In addition to the 29 million covered directly by insurance company plans, it is estimated that close to another 10 million persons are covered in the form of paid sick leave, other than insured, in civilian, Government service, private industry, union-administered plans, and employee-benefits associations.

In 1954, over $540 million were paid in loss of income benefits. In addition to these cash payments many employees are, of course, protected by wage continuation not reflected in this figure.

This estimate of the extent of coverage in this field is based on a report made by the Health Insurance Council in its most recent release on the "Extent of Voluntary Insurance Coverage in the United States."

During this half century of writing disability coverage, the companies have learned to have a great respect for the problems in disability insurance. As the result of this respect, few companies issue long continued disability-income insurance.

Although the companies have seen fit to lengthen the duration of benefits they have done so with great caution. The bulk of the companies write contracts with disability provisions up to 2 years. Comparatively few companies write lifetime benefits—however, such benefits are available.

The underwriting required in the writing of even 2-year benefits is extensive, and the amount of the benefits provided is usually quite restricted. As I indicate later, to write the coverage without restrictions as to whom you cover, as would be the case under H. R. 7225, merely aggravates the problem.

The principal problem faced by the companies is the difficulty in the definition of "disability." No matter how carefully you word the definition, it is subject to interpretation, stresses and strains that result in extensive distortion of the anticipated actuarial results.

It is soon learned that disability is a subjective thing fraught with emotion and sympathy. It is also quickly learned that disability has to be considered on an individual case basis. One individual with a physical impairment has the mental ability and stamina to overcome the impairment and to remain a self-supporter. Another individual with the same impairment is unable to, or chooses not to, overcome the handicap and is "disabled."

The economic situation has much to do with the number of persons disabled. Persons with an extensive physical handicap may find it relatively easy to find employment during times of full employment such as we are enjoying at the moment.

When, however, we have a period of slack employment, the person with the same handicap finds it difficult to obtain employment and because of the economic situation alone becomes so-called disabled.

A large number of people with physical impairments who become unemployed suddenly find that it is to their economic advantage to be "disabled" rather than just unemployed.

A review of the court cases on interpretation of insurance contracts in this area indicates quite clearly a trend toward liberal interpretation far beyond that ever anticipated by those drawing the insurance

contract. The courts have seen fit over the years to be "guided by reason" as they put it in interpreting the policy language.

As an illustration let's take a brief look at policy language which requires that benefits are to be paid only in the case of "total and permanent disability." These words seem clear and concise when considered in the abstract and this interpretation was given to them in the famous case of *Ginell* v. *Prudential Insurance Company*, 237 New York 554, 143 NE. 740 (1923).

In this case it was decided that the word "permanent" as used in the phrase "total and permanent disability" had to be given its usual dictionary meaning and that the insured had to show that his injury or disease was completely permanent and lasting throughout life in order to recover.

It is interesting to follow the language of the cases as they move away from the position in the Ginell case and decide that the term "permanent" when applied to disability can be established by showing only that the injury or disease was not merely a passing one, but was such as would in all probability continue for a long and indefinite period of time—"that is to say that it was presumably permanent." (*National Life Insurance Company* v. *White*, 38 A. 2d 663 (1944)).

The National Life Insurance Co. case, following the above line of reasoning, required payment of benefits to an individual who had suffered a heart attack even though the individual returned to work within 8 months after the attack and even though the policy language was of the strictest variety requiring total and permanent disability. 97 ALR 126 discusses this trend on the part of courts to liberalize the normally accepted meaning of the word.

Obviously, the companies have seen fit to provide a coverage for temporary disability and disabilities of different types such as disabling as to specific occupations and the like. This has been done through a change in policy language; however, even the most restrictive language has not been a protection against extensive broadening through interpretation.

The bill as presently drafted defines the term "disability" as—

> 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.

It will be interesting to see how these words even if left unchanged are interpreted 5 to 10 years from now. I am not suggesting a change in the definition of "disability." I merely point out that no matter how defined, it will take on new meaning as it is applied to the individual cases. This new meaning becomes particularly significant when you look at cost figures and projected cost estimates.

The point I make is that even though you have, in all sincerity, drafted a tight definition of "disability" and have been able to administer it on a very close basis over the past several months as has been done under the "freeze," and on a controlled basis under the assistance provisions applying to total and permanent disability, such definition is subject to coming apart at the seams in times of economic stress and through court and administrative interpretations.

So far we have been speaking of liberalizations brought about by interpretation and economic pressures rather than legislation. In addition to these changes, there will unquestionably be extensive political pressure to reduce the age below age 50 or remove it entirely.

To say that a person who has a complete and true disability should receive a retirement payment at age 50 whereas one at 45 should not, will make little sense to the general public. Once the line is broken and cash payments are to be made for disability without a means test, there is little logic in applying the benefit to any specific age group and denying it to another age group. Although our people think of retirement benefits in terms of reaching a specific chronological age, they do not think in terms of disability benefits being payable to a person of any specified age group.

How long will the system exclude dependents' benefits if it provides disability benefits at all?

We could name many other liberalizations that will be suggested, but see no point beyond mentioning that with the combination of interpretive liberalizations plus legislative liberalizations the projected cost figures must be looked at rather cautiously.

With all the admiration and respect we have for Mr. Robert Meyers, Chief Actuary for Social Security, we feel that his cost figures may well prove to be very low. He must necessarily have based his estimates on the law as drafted and presently understood and not as to its cost after it has been subjected to the many changes we have discussed.

A disability coverage, being subjective in nature, becomes even more difficult to handle when it is part of a total Government program than it is when underwritten by private industry where selective underwriting attempts to avoid providing coverage for those who would just as soon be encouraged to get out of the labor market.

Operating in a political atmosphere and taking all comers must necessarily result in encouraging a marginal group of employees to take advantage of a physical impairment rather than to attempt to overcome it and work in spite of it.

One of the primary underwriting principles of an insurance company is to avoid to the greatest extent possible the removal of the economic incentive to return to active employment.

In addition, we find it necessary to provide such coverage, to the extent possible, only to those who have initially a strong desire to continue in employment. These elements will be completely missing in the program to be provided by H. R. 7225, since the Federal Government will be doing no underwriting whatsoever.

It appears to us that there are two basic problems that have to be faced in the case of the total and permanently disabled individual. One is to avoid his being destitute; the other is to aid him in overcoming his handicap to the greatest extent possible.

The present Federal-State system of providing support for the disabled on a needs basis is the best system that can be devised for handling the first problem. It may be considered unfortunate that we have to put economic and sociological pressure on an individual in order to attempt to encourage the individual to avoid financial assistance of this type, but we are not aware of any other system that has been devised which accomplishes this purpose with the largest possible number of people.

If we agree that our objective is to keep as many of our people as possible self-supporting, the providing of a direct cash payment as a matter of right will work against the economic drive necessary to keep our labor force at its maximum.

The second problem we mentioned—that of aiding the individual to overcome his handicap to the greatest extent possible—is an area in which the Federal Government can take a positive approach to the disability problem.

There can be little question but that the correct approach here is rehabilitation. This is an area for Federal Government activity if properly limited and handled. The present rehabilitation program should be further activated on its own and not promoted as a byproduct by those who want social security disability benefits.

The rehabilitation program, which has as its objective returning people to active employment, should not be confused with, and subjected to, a system which has as its basic purpose the payment of cash to those who are, through general understanding, expected to remain out of active employment.

Our position could be summed up as being an expression of deep concern in having the Government embark on a system of cash payments as a matter of right in an area as subjective as disability and to tie this into the social security system which is a retirement program, the qualifications for which can be determined objectively.

We are concerned with the constant efforts being made to encourage people to be disabled rather than the more positive program of encouraging people to be well, to help themselves, and to aid in the continued growth of our dynamic society.

The CHAIRMAN. Thank you very much, Mr. Joanis.

Any questions?

Senator BARKLEY. No.

The CHAIRMAN. The next witness is Mr. Albert C. Adams, chairman of the committee on social security of the National Association of Life Underwriters.

STATEMENT OF ALBERT C. ADAMS, CHAIRMAN OF COMMITTEE ON SOCIAL SECURITY OF THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS

Mr. ADAMS. My name is Albert C. Adams. I am appearing before your committee today in my capacity as chairman of the committee on social security of the National Association of Life Underwriters, a trade association representing a nationwide membership of over 62,000 life-insurance agents.

In order to conserve the time of your committee, let me say at the outset that my association agrees wholeheartedly with the views that the witnesses for the American Life Convention and the Life Insurance Association of America have so ably and forcefully expressed to you in opposition to those provisions of H. R. 7225 which would lower the eligibility age of female OASI beneficiaries and provide for the payment of cash benefits to totally and permanently disabled workers at age 50.

To substantiate this statement, I am filing with you an excerpt from the report that my association's committee on social security made at the time of our 1955 annual convention in St. Louis, Mo., last August, concerning the pending bill.

This report was unanimously approved by both our national council and our board of trustees and, thus, reflects the official position of the association.

I should now like to make a few additional brief remarks regarding this bill.

EXTENSION OF COVERAGE TO CERTAIN SELF-EMPLOYED AND EMPLOYEE GROUPS

We recommend that your committee approve the extension of OASI coverage to the self-employed and employee groups specified in H. R. 7225. It has long been our position that, with certain exceptions not here pertinent, the OASI program, or any other type of Federal welfare program which depends upon the compulsion of taxation for its financing and which requires the use of general revenues to aid in its support, should be applied to all gainfully employed taxpayers. The fairness of this position needs no demonstration. It is strictly in line with democratic principles.

LOWER ELIGIBILITY AGE FOR WOMEN BENEFICIARIES

As I have already indicated, we oppose the proposal to lower the eligibility age of women OASI beneficiaries. This proposal would add substantially to the cost of the program.

Moreover, as applied to working women, it is in direct conflict with the continuing trend toward everincreasing longevity and the resulting practices of employers to increase the retirement age of both male and female workers.

With respect to the wives of retired male workers, the argument is often made that the present eligibility age works a hardship by reason of the fact that, on the average, they are several years younger than their husbands and that, consequently, a married couple frequently has only the husband's benefits on which to live during the interval until the wife reaches age 65.

Obviously, however, reduction of the eligibility age of women to 62 would help only in cases where the age differential between a man and his wife is 3 years or less. Thus, the proposal contained in H. R. 7225 would not effectively solve the problem at which it is directed.

We believe that there may be a much better, and certainly less costly, way to accomplish the same objective, and while I cannot now present it to you as an actual recommendation of my association, I do commend it to you for your thoughtful consideration.

Essentially this proposal would permit any male beneficiary whose wife is younger than age 65 to elect to receive a reduced joint and survivor income which would be the actuarial equivalent of the amount that would otherwise be payable to them when the wife reaches age 65.

For example, in the case of a man age 65 entitled to the present maximum benefit, with a wife age 62, he could elect an immediate income of $148.50 a month during the lifetime of both, with payments of $99 monthly being continued to him for life if he should survive his wife and $74.30 monthly being paid to her if she should be the survivor.

Incidentally, the same election to receive a reduced income would also be made available to widows of deceased workers at any age.

PAYMENT OF BENEFITS TO DISABLED WORKERS

While realizing the plight of many families which results from the disability of the wage earner, we feel that we must necessarily oppose the provisions of H. R. 7225 calling for the payment of cash benefits to totally and permanently disabled workers.

Our opposition is based not only upon the large cost that this proposal would add to the OASI program but also upon our firm belief that it would create many other serious problems, some of which are covered in our attached committee report and have also been described by the witnesses for the American Life Convention and the Life Insurance Association of America.

We should like particularly to emphasize our support of the position taken by the ALC–LIAA witnesses that the best, most feasible, and least costly way of solving the problems of disabled workers is through the type of Federal-State rehabilitation program that they have outlined to you.

THOROUGH STUDY OF FEDERAL WELFARE PROGRAMS NEEDED

We feel strongly that too little concern has been shown in the past by Congress, the administration, or the public over the possible adverse long-range economic consequences that may result from the liberalizations contained in H. R. 7225, as well as those voted in the past, notably in 1950, 1952, and 1954.

As a matter of fact, no one really knows what these consequences will be. About all that we do know is that whatever they may be, they will have to be borne, for the most part, by future generations of taxpayers.

This lack of knowledge was nowhere better evidenced than in the cost estimates prepared by the actuaries of the Department of Health, Education, and Welfare in connection with H. R. 7225 when it was before the House Ways and Means Committee last year.

According to the low-cost estimates developed by these experts, the so-called OASI trust fund would build up to $482.5 billion in the years ahead. On the other hand, their high-cost estimates pointed to the eventual extinction of any trust fund and an ultimate annual cost of $33.5 billion, or 13.34 percent of covered payroll, rather than the maximum combined employer-employee tax rate of 9 percent provided for in the bill.

Moreover, even these widely divergent estimates were based upon the favorable, but highly uncertain, assumptions that employment would continue at the existing high level and that there would be no further liberalizations of the program.

Accordingly, we respectfully urge that your committee reject all of the provisions contained in H. R. 7225, except those calling for the proposed broadening of coverage, pending a comprehensive and objective study of the OASI and related Federal welfare programs.

Such a study should embrace, but need not be limited to, the types and levels of benefits to be provided by these programs, their cost and their ultimate impact upon the national economy in general and upon private insurance, pension, and savings programs in particular.

In closing, I want to express to your committee both my own thanks and those of my association for giving us this opportunity to present

our views with respect to H. R. 7225. I sincerely hope that you will find this statement and the attached report helpful to you in your appraisal of the bill.

The CHAIRMAN. Thank you very much, Mr. Adams. The excerpt will be inserted in the record.

Mr. ADAMS. Thank you.

(The excerpt from 1955 annual report is as follows:)

EXCERPT FROM 1955 ANNUAL REPORT MADE BY COMMITTEE ON SOCIAL SECURITY OF THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS TO NALU'S NATIONAL COUNCIL AND BOARD OF TRUSTEES CONCERNING H. R. 7225

PRINCIPAL PROVISIONS OF H. R. 7225

For the information of the National Council and the board of trustees, H. R. 7225 would once again "liberalize" the old-age and survivors insurance program by—

(1) Providing for the payment of regular retirement benefits to workers 50 years of age or older who are totally and permanently disabled;

(2) Lowering from 65 to 62 the age at which female workers, wives of retired insured workers and widows and dependent mothers of deceased insured workers become entitled to OASI benefits:

(2) Continuing monthly benefits to children who become totally and permanently disabled before age 18, as well as to the mothers of such children;

(4) Extending coverage to all self-employed professional groups (except doctors) and to certain other relatively small groups who are presently excluded; and

(5) Raising the social security employer-employee tax rate, effective January 1, 1956, by 1 percent (i. e., one-half of 1 percent each on employer and employee) over the rates called for by existing schedules. The self-employed, of course, would pay an additional three-fourths of 1 percent. In turn, this would mean that the ultimate maximum scheduled tax rates, for 1975 and thereafter, would be 9 percent (instead of 8 percent) for employers and employees, and 6¾ percent (instead of 6 percent) for the self-employed.

RECOMMENDED POSITION ON H. R. 7225

I. Provisions of H. R. 7225 meriting NALU's support

We believe that NALU should endorse and support the following provisions of H. R. 7225:

(1) Extension of OASI coverage to lawyers, dentists, and others specified in the bill. (This is in accordance with NALU's long-standing policy that, generally speaking, all gainfully-employed persons should have such coverage.)

(2) Proposed increase in OASI tax rates if and only if the provisions of the bill (discussed below) to which we are opposed are enacted into law.

II. Provisions of H. R. 7225 that NALU should oppose

We very strongly urge that NALU oppose those provisions of H. R. 7225 which would (1) lower the eligibility age of women to receive benefits and (2) provide for the payment of cash benefits to totally and permanently disabled workers commencing at age 50, to totaly and permanently disabled children past the age of 18 and to the mothers of such children. We shall briefly discuss our reasons for recommending such opposition in terms of (1) general considerations, (2) cost factors, and (3) industry interest.

A. *General considerations*

(1) *Lowering eligibility age for women.*—In discussing this feature of the bill, it seems to us that we must differentiate between insured women workers, on the one hand, and the wives and widows of retired and deceased insured male workers, on the other.

So far as insured female workers are concerned, we see absolutely no justification for reducing their eligibility age to 62. In the first place, such a move would be at a complete variance with the tremendous progress that has been made in this country toward improving the health and longevity of all workers and, thus, their useful working lives. In the second place, it would undoubtedly cause the reversal of the growing trend among employers to keep female workers

on the job until age 65 and result in the enforced retirement of such workers at the earlier age of 62, despite the fact that they might wish to remain at work and be perfectly capable of continuing to work. Finally, there seems to be little reason to doubt that if the retirement age of female workers were lowered to age 62, the next step would inevitably be to lower the retirement age of male workers as well. Such a result, we believe, would not be in the best interests of either the workers themselves or the productive economy of the country.

Insofar as lowering the eligibility age of the wives of retired workers and the widows of deceased workers is concerned, we conceivably might agree that some social justification could be shown for such a proposal if we could be sure that it did not represent simply another mincing step so characteristic of the process that is aptly described as "creeping socialism." On the contrary, however, we are morally certain that this proposal would be just such a step. We think that no great vision is required to foresee that once the eligibility age of wives and widows was reduced to 62, there would be unrelenting pressures (fully "documented" by "hardship" cases) for further age reductions and ultimately, we believe, for the complete elimination of the so-called "black-out period." To repeat, therefore, we feel that NALU should very definitely oppose any reduction whatsoever in the eligibility age of wives and widows of insured workers.

(2) *Cash disability benefits.*—NALU has traditionally opposed the inclusion of cash disability benefits in the AOSI program on the ground that the program was, and properly should be, intended only to provide benefits for retired workers and the surviving dependents of deceased workers and that the taxes exacted to support such benefits should not be diverted for other purposes. Our association has also long been convinced that the question of whether or not an individual is "totally and permanently disabled" is becoming more and more a matter of subjective, rather than objective, determination. Therefore, we have consistently recommended that any Government program dealing with the problem should be devoted to the rehabilitation of disabled workers, with the view of returning them to useful, productive lives, rather than to the payment of cash benefits that would, in our opinion, tend to discourage and delay such rehabilitation. Furthermore, our committee feels that the payment of such cash benefits would actually encourage widespread malingering, especially in periods of low employment, which, of course, would make the program tremendously costly.

We are completely mindful of the fact that the disability benefits proposed by H. R. 7225 for covered workers would be paid only to those workers 50 years of age and older. Even if we were otherwise in agreement with this limited proposal as such, we would still recommend opposition to it on the ground that it represents another of those "mincing steps" down the road toward welfare statism. Obviously, if the Federal Government is going to pay cash benefits to totally and permanently disabled workers commencing at age 50, it cannot long justify withholding such benefits from younger disabled workers. Indeed, it would seem to us at least arguable that the latter groups, on the whole, have a greater need for cash disability benefits than the 50-and-over group, since they are much more likely to have dependent children for whom they must provide.

In recommending that NALU also oppose the proposal to pay benefits to disabled children past the age of 18 and to the mothers of such children, we trust that no one will think us indifferent to the needs of these individuals. However, as the Ways and Means Committee pointed out in its report on H. R. 7225, the number of such cases would be negligible and, in our opinion, can be better taken care of at State and local levels. Thus, we feel that there is no need for an expansion of the OASI program in this direction. We further feel that any such expansion would simply represent another "foot-in-the-door" approach by the Federal Government to an ultimate general disability benefit program.

B. *Cost factors*

The Department of Health, Education and Welfare has estimated that the payment of benefits to women at age 62 and the payment of benefits to totally and permanently disabled workers at age 50 would result in increasing the average annual cost of the OASI program by $2 billion. However, as large as the above figure is, it is only when one stops to look at the over-all OASI picture that he can possibly realize the staggering ultimate cost of this Government largesse.

Under H. R. 7225, the scheduled employer-employee tax rates would be increased in 1975 to 9 percent (shared equally by employers and their employees), and the tax rate on self-employed individuals would then become 6¾ percent.

Keeping these rates in mind, let us now take the example (cited in the minority report filed by various Republican members of the House Ways and Means Committee in connection with H. R. 7225) of a farmer with net income of $4,200 from self-employment in 1975. Assuming that he has a wife and two children and uses the standard deduction, his Federal income tax (at present rates) will be $276. On the other hand his social-security tax will be $283.50. Thus his social security tax, taken as a percentage of net taxable income, will be in excess of 20 percent. If he had three children, his income tax would be only $156, but his social-security tax would, of course, still amount to $283.50. In such case, his social-security tax would be the equivalent of a net income tax of 36 percent. As correctly observed in the above-mentioned minority report, this would be an ordinary case and not at all an unusual one.

We should like to emphasize that the foregoing example is based only on the ultimate tax rate that is scheduled in H. R. 7225 for the year 1975 and thereafter. Looking beyond that year to the year 2020, the poor farmer—or perhaps we should say his poor son or grandson—might well be in much worse shape. According to the estimates cited in the Ways and Means Committee's report on H. R. 7225, the total annual cost of the OASI program (including the additional benefits provided by H. R. 7225) may run as high as 13.34 percent of taxable payroll, or $33.5 billion, in 2020. Thus, the social-security tax on the self-employed farmer would then be in the neighborhood of 10 percent of his $4,200 of net earnings—or $420. Translated into terms of his Federal income tax (at present rates), this $420 would be the equivalent of a net income tax of more than 30 percent, if he had a wife and two children, and of almost 54 percent, if he had a wife and three children!

As shocking as the foregoing examples may seem it must be remembered that even they are based upon the following two assumptions: (1) that employment in this country will continue at or near the present high-level rate and (2) that there will be no further liberalization of the OASI program beyond that provided by H. R. 7225. Any material change in either of these assumptions would, of course, tend to increase the cost of the program substantially. We are particularly fearful that the second assumption would prove to be completely invalid if H. R. 7225 were enacted, for, as we have already pointed out in this report, the amendments that it would make with respect to the eligibility age for women and the payment of cash disability benefits would undoubtedly generate irresistible pressures for further and more costly amendments in these two areas.

C. *Industry interest in H. R. 7225*

As we see it, the life-insurance industry has a vital and valid self-interest in opposing the objectionable provisions of H. R. 7225 discussed above not only because they would, in and of themselves, represent a further encroachment by the Federal Government upon markets that can and should be served by private enterprise, but also because they would inevitably lead to other and more serious encroachments upon such markets.

Every "liberalization" of the OASI program (such as those contained in H. R. 7225) serves, in our opinion, to aggravate the dilemma in which our business finds itself. In the first place, each such liberalization tends to lessen the need for people to make voluntary provision for the economic well-being of themselves and their dependents through life insurance and other forms of private savings and investment. Equally important, each additional dollar in taxes that they are compelled to pay to support the constantly increasing costs of the program necessarily reduces their ability to make such voluntary provision.

In our view, the experience of the French people furnishes cogent evidence of the validity of the foregoing conclusions. According to an editorial that appeared in the Philadelphia Bulletin last July, the average monthly pay (in terms of real wages) for workers in the Paris region had increased from 37,300 francs in 1930 to 48,900 francs at the present time—an increase of almost 30 percent. However, whereas the Government took only 4,300 francs from the worker in taxes in 1930, its take now amounts to 15,600 francs—largely earmarked for increased social benefits. Thus, despite his 30 percent increase in real wages since 1930, the French worker winds up with almost exactly the same take-home pay as he had 25 years ago; and as the editorial concluded, "he may have an uneasy feeling that he isn't getting anywhere."

At the same time, we also find that the French worker has ceased buying life insurance to any significant extent. In January 1955, the Institute of Life Insurance reported that the ratio of life insurance in force to national income in

1954 was only 12 percent in France, as compared with the ratio of 100 percent in this country.

In our judgment, therefore, there is a strong likelihood that the level of "social benefits" in France and the tax burden necessary to finance these benefits have grown to such an extent as to deprive the French worker almost completely of both his willingness and his ability to take care of himself and his family. It is our conviction that repeated, costly liberalizations of our own country's OASI program must inevitably produce the same unhappy "Utopia" in the United States—for both the American people and the life-insurance business.

Such a result was forecast about 10 years ago when the Social Security Board, in an official publication entitled Common Human Needs (which we understand was later suppressed), made the following remarkable and significant statement:

"Social security and public-assistance programs are a basic essential for attainment of the socialized state envisioned in democratic ideology, a way of life which so far has been realized only in slight measure."

It would seem that many of our lawmakers in Washington have dedicated themselves to the implementation of this socialistic philosophy and are determined to forge the OASI program into a compulsory system of cradle-to-grave benefits so comprehensive and costly that the citizens of this country will find it both unnecessary and financially impossible to fend for themselves. If it happened in France, let us in the life insurance business not delude ourselves into believing that it cannot happen here.

CONCLUDING REMARKS

As indicated earlier in this report, it is our recommendation that NALU have a witness testify before the Senate Finance Committee along the lines discussed herein when that committee holds hearings on H. R. 7225 next year. We particularly urge that emphasis be placed upon the tremendous costs involved in the financing of the OASI program, for we seriously doubt that this aspect of the program has received anything like the consideration that it merits from our lawmakers in the past.

We also recommend that NALU continue and intensify its efforts to educate the public concerning the true nature and purpose of the OASI program. We still adhere firmly to the belief that unless the voters of this country are made to face up to the facts of life about the program and, especially, the terrific financial burden that it threatens to impose upon future generations, they will some day find that they have been led down the primrose path to disillusionment.

The CHAIRMAN. The next witness is Mr. E. H. O'Connor, Insurance Economics Society of America.

STATEMENT OF EDWARD H. O'CONNOR, MANAGING DIRECTOR, INSURANCE ECONOMICS SOCIETY OF AMERICA

Mr. O'CONNOR. I would like to ask the privilege of filing my full statement for the record.

The CHAIRMAN. Without objection your full satement will be inserted in the record.

(The prepared statement of Mr. O'Connor is as follows:)

STATEMENT OF EDWARD H. O'CONNOR, MANAGING DIRECTOR, INSURANCE ECONOMICS SOCIETY OF AMERICA

Mr. Chairman and members of the committee; my name is Edward H. O'Connor and I am appearing today on behalf of the Insurance Economics Society of America, an organization devoted to the study of all forms of social insurance. My home is in Chicago, Ill.

I think it is most fortunate that this committee is holding hearings on this bill which appears to be one of the most important items of this session of Congress. It is regrettable that this bill, touching nearly every family in the Nation and involving billions of dollars, was not given a public hearing in the House and was considered under a suspension of the rules.

It is not easy to criticize proposed national legislation which appears to be a humanitarian effort to help elderly people, the aged widow, the disabled

worker, and the crippled child. However, it is imperative that we carefully weigh both sides of the question keeping in mind what is best for the economic future of the country. Let us not in our humanitarianism forget that the social-security system represents the source of security for many millions of Americans. With undue expansion of benefits and excessively high taxation irreparable harm may come to the future operation of the system.

In order to finance the increase in benefits called for in this bill a higher tax schedule is provided. As a result the ultimate tax rate, effective in 1975, is 9 percent shared equally by employer and employee. For self-employed and professional individuals, the ultimate tax would be 6¾ percent. In discussing the new tax schedule we must remember that social-security taxes are a tax on gross wages and unlike the personal income tax is not limited to net income. It has been estimated that the maximum 6¾-percent rate on the self-employed would be equivalent of a net income tax of about 20 percent and higher in many cases. It is estimated in 1975 total social-security collections will approximate $20 billion annually based on present wage levels—which may be considered an extremely conservative estimate.

I point out these facts (future social-security tax rates and collections) to develop the point that these tax burdens may be so high as to preclude any desirable and necessary liberalizations which may develop over the years.

I shall confine my remarks today to two provisions in this bill: Retirement age for women and disability insurance benefits for certain disabled individuals who have attained age 50.

RETIREMENT AGE FOR WOMEN

Under this bill, before the committee, it would provide monthly payments to begin at age 62, instead of 65, for women workers who retire, for wives of retired workers, and for widows.

One of the basic reasons given for the reduction in age of women under social security is that wives generally are a few years younger than their husbands. This is presumed to make it difficult for a husband to retire at age 65, because his wife will not draw benefits until a few years later. It therefore can make a difference of $54 a month and more, of course, if there are dependent children. Average retirement age of 69 is cited as evidence of age differential between husbands and wives and this, of course, leads to a reluctance of a man to retire until his wife has reached age 65 and both can collect benefits.

The chief actuary of the Social Security Administration recently analyzed the latest experience data for the program and came up with the following statistics:

Of the men claiming benefits at age 65, the wives of 20 percent of them were 65 or over and 50 percent of them less than 62. Thus, lowering the age for women from 65 to 62 would be of no assistance to 7 out of 10 men at age 65. On the basis of a further analysis of this data the chief actuary concluded: "The argument that the retirement age should be lowered for wife's benefits, because maintaining it at age 65 compels men to go on working longer than they would otherwise, possesses little validity."

Private industrial compensation plans are generally geared to the social security system. This fact has led most of these plans to adopt age 65 as the retirement age for both men and women. If age 62 is established for female social security purposes, all of these fine pension plans will be thrown out of gear. It will require a complete examination of these plans, many of which are the result of long negotiations between management and labor. There is a serious question in the minds of many as to whether the reduction of the statutory social security eligibility age for women, desirable as it might appear in some individual cases, may not run counter to the major social and economic objective of wider employment opportunities. We know that it is customary for women to retire at age 65 or later. Will we through such a change in our Social Security Act force women out of jobs at 62 regardless of their wishes in the matter?

Do we want to see our senior citizens forced prematurely into retirement when they are capable and willing to keep on working at productive employment and earning a great deal more than they would receive under social security?

Under the circumstances I believe we must face some questions on this issue. Isn't a reduction in age inconsistent with the lengthening life span for the entire population and the fact that women live longer than men on the average? Would a reduction in age for working women make it more difficult for them to

obtain and keep jobs on a fair basis with men? Would a reduction of retirement age by only 3 years have any real significance, for example, in alleviating the problem of the woman who is widowed at 45 or 50? Would a reduction in age for women be merely a forerunner for a general reduction in retirement age for men as well?

We must understand that many people work for other incentives than financial return and it is entirely likely that women continue on their jobs as long as they are physically able to do so and as long as their bosses let them remain. Since women live longer than men there is no reason for thinking they tend to go into a physical decline before men do. In fact, a study of the question would indicate the female is more enduring than the male.

The aged widow and the aged wife who have never made their own living and never held a job are in a different position from the working women of the same age who may resent being forced out of the labor market by the arbitrary reduction of the retirement age.

In a report released by the Institute of Life Insurance in October 1955 based on a study by the Department of Health, Education, and Welfare, it showed 40 percent of all regular income received by the over 65 group comes from employment. This money helps support some 3 million men and women still working at the age of 65 and older together with somewhat less than 1 million wives—a total of 4 million persons.

I believe it is recognized and confirmed by statistics that 83 percent of private compensation plans set up in the past few years have made the retirement age for men and women the same. Why, then should the Federal Government undertake to discriminate against working women who today constitute one-third of our labor force.

Just a short time ago one of the large insurance companies announced they had raised the mandatory age for their 3,700 employees, a goodly number being females, from 65 to 68. The action was taken, said the company, because of the increasing longevity of workers and because "we feel good management dictates enlightened use of productive manpower in our company."

We know that a very large percentage of women raise families, run their own homes, and hold down jobs. Others manage and operate a business or engage in professional activities. Why should we attempt under our social security law to make it more difficult for working women by lowering their retirement age to 62, especially since they outlive men on the average.

This provision, lowering the retirement age for women, is looked upon by proponents as a forward step, but it may actually be a step backward. People are not only living longer but thanks to progress in medicine, their health is better and their working abilities prolonged. Taking women out of the working force 3 years earlier by this proposed change would tend to have a bad psychological effect on them. It is a well-known fact that very often men who retire tend to age more rapidly than those who maintain an interest in their work and do not retire. Due to the low birth rate 20 years ago we are now facing a period of slackening growth in the labor force. Removing many female workers from the labor force may tend to lessen production and prosperity.

This question of reducing the age of eligibility for women beneficiaries was considered and rejected by a committee of Congress in 1949 as being too costly. Certainly if this was a well-founded reason for not taking action 7 years ago it is still valid since it would certainly be a more costly venture at this time.

To reduce the age of eligibility for women under our Social Security Act it has been estimated that the first year benefits would be paid to an estimated 800,000 additional women which would cost $400 million. Retired women workers aged 62 to 64, 300,000; wives aged 62 to 64 of retired workers aged 65 and over, 300,000; widows aged 62 to 64, 200,000. It was further estimated by the House Committee majority that after 25 years, 1,800,000 additional women would be receiving about $1,300 million a year and that the reduction of the qualifying age for widows alone would add $15 billion in the value of survivor protection of insured workers next year.

Ever since the enactment of the Social Security Act the age of retirement has been maintained at 65 for both men and women. This formula has been followed during the past 21 years. I believe it is now incumbent upon you gentlemen, who have a major part in safeguarding the system for the people of this country, to give due consideration whether or not the people desire to reduce the retirement age limit, with the increased taxation, in order to make the system operate, for the principal benefit upon which the act was enacted—to provide a benefit to workers, both men and women, when reaching the age of 65.

DISABILITY INSURANCE BENEFITS PAYMENTS

Under this provision monthly payments would be made to covered workers 50 years or older who become totally and permanently disabled.

As I stated before this committee in March 1950 when H. R. 6000 was being considered, "This is a most dangerous proposal considering the aspects of administration costs and the future of the system." Since that time we have broadened the act in many respects, but have not improved the financing of the program to any significant degree. Therefore, what was very evident 6 years ago on this point is true today.

Total and permanent disability coverage under social security is not a new idea. In 1949 a program of disability benefits was passed by the House and subsequently rejected by the Senate. Again in 1954 the "freeze" amendment was adopted.

Disability is an intangible, subjective concept. It differs materially from the definite fact of death or old age which are the two basic elements in OASI. For example, many times the attitude of the individual, when suffering a particular condition, will govern to some extent the degree of disability. It is also a fact that the payment of disability benefits for any length of time, even in modest amounts, undermines human personalities, destroys incentive and the will to seek work fitted to one's capabilities.

Former Secretary Hobby of Health, Education, and Welfare, when appearing before this committee last July, raised questions about the actuarial problems evidenced in cash disability benefits, and the program's relationship to disability benefits under workmen's compensation, to unemployment insurance, to State temporary disability programs and to private disability and voluntary health insurance plans. She expressed concern about the present and future costs of the social-security system. In referring to the tax schedule she said "The system could lose its attractiveness, particularly for many self-employed persons, if additional cost items are added without the most careful evaluation of the benefits they confer." These statements of former Secretary Hobby are very significant because, if I recall correctly, it is the first time that anyone representing the Department of Health, Education, and Welfare or the Social Security Board ever opposed expanding and liberalizing the benefits of the act.

According to House Committee majority estimates, during the first year of operation there would be 250,000 disabled workers who would receive $200 million: In 1980 you would have 1 million disabled workers receiving $850 million. By the year 2020 the cost would be $1,044 million. Whether these figures can be accepted as a worthwhile basis is debatable. It is agreed, however, that total and permanent disability benefits would be a very expensive item of social security. Therefore, since the system represents the source of security for many millions of Americans (about 9 out of 10 workers are now covered) and since it has a tremendous significance for our economy, I believe we should take a good look at the financial status of the system.

About 7.8 million retired workers, wives, widows, and dependent children are drawing social-security benefits of almost $5 billion a year. The number of beneficiaries has increased by close to 15 percent in the last year. Some $21 billion now stands in the social-security trust fund to help pay future benefits. It is estimated the OASI trust fund should amount to $35 billion in order to be able to pay benefits to persons now retired and to their dependents and survivors. Since it has but $21 billion plus a small revolving cash fund, there is already approximately a $14 billion shortage in the fund. The trust fund in 1949 was 20 times the benefits disbursement of that year. It is now down to 4 times the 1955 benefits. The $21 billion trust fund is but 7 percent of the $300 billion of accrued liability. That is the amount of money the Government would need to pay off present social-security commitments if the system were terminated and the promised benefits were paid off when they fell due. It would appear that if this bill was enacted it would drain off the funds from the already weakened OASI trust fund. We must not forget that the Government has not set aside 1 cent for future social-security benefits for persons now working and paying taxes. Any further promises of benefits to be paid in the future will only increase the present OASI liability of $300 billion.

Considering both the actuarial calculations which have been made in the past and which have been found far short of reality and the proposed tax increases, does it follow that the new benefits should be adopted at this time and in the form suggested?

Actuarial results are not predictions. It is true that current social-security receipts exceed benefits paid, but the actuarial estimates of the soundness of the system exist on paper. They presuppose relatively optimistic assumptions, including high levels of employment and reasonably favorable population trends. And they assume still more optimistically that the periodic tax increases will take place as scheduled. We must remember that the tax assumptions are based on scheduled increases to take place in the future rather than on levels which are readily accepted today.

I do not believe the size of the disability program is sufficiently large enough to require Federal intervention. There are only about 300,000 disabled persons in the United States, including nonemployed oldsters. The Government contemplates paying cash benefits to only 250,000 of these 300,000 disabled persons. It plans, however, on increasing the social-security taxes of 65 million workers and their employers as well as self-employed persons. Dr. Howard Rusk, an expert on disability and rehabilitations, stated in November 1955 that "9 out of 10 disabled persons could be taught to help themselves." They need retraining for different jobs rather than cash payments. Those in general financial need could of course be helped locally.

Would it not be somewhat of a hardship on the majority of the 65 million workers of the country to further increase their social-security taxes in order to pay deferred cash benefits to a small minority who may become disabled?

In 1954 the Congress amended the Social Security Act by including the freeze amendment. This was a step toward disability benefits and is recognized as an effort to prevent any deterioration of earned benefits during the years before age 65 when the disabled individual is not working. As former Secretary Hobby pointed out in her testimony before this committee last July, "There has not been enough time to study the effect of the freeze amendment." She stated that "only 374 State determinations of disability under the freeze provision enacted in 1954 had been received by the HEW Department at that time, such determinations having come in from only 7 States." However, by the end of last September 48 States, the District of Columbia, Hawaii, and Puerto Rico had set up waivers of tax disability freeze programs. By August 31 last a freeze period had been established for about 29,500 applicants. Might it not be preferable to have more experience under the disability freeze amendment before proceeding to further change? From that experience we could develop satisfactory sound administrative procedure on the question of total and permanent disability.

Experience demonstrates that cash sickness benefits operate as a deterrent to rehabilitation. As the London Economist stated some years ago, "The ultimate cost and waste of a disability program not geared to inventives to recovery is locked in the subconscious minds of millions of hypochondriacs."

This bill provides for rehabilitating the disabled, which is a good gesture but which, in my opinion, is a responsibility which should be left entirely to the States. Distribution of the disabled varies among the States, and flexibility of State systems will alow better adjustments to actual conditions. The State public-assistance systems are closer to the disabled in their homes, have medical facilities or arrangements for the same, possess casework services for treating individual cases, can engineer the retraining and rehabilitation of the disabled as well as find work for them, and can render such financial assistance as befits each case. When institutionalization is required, State and local institutions already care for many of the disabled, and this service can be expanded to meet additional needs. Briefly, States are administratively closer to the conditions and cases of the disabled.

The administration of permanent and total disability benefits is more akin to the administration of old-age assistance than to old-age and survivors insurance. Under OASI you are not confronted with the various degrees of eligibility; you do not have to follow through continually checking the progress of the disability. This surveillance is similar to what is required in administering public assistance, always on the alert for false claims, misrepresentations, and malingering. In these respects, old-age assistance and disability benefits follow the same pattern, and the administration should be at the local level where the costs of such a program can be controlled.

Another serious objection to disability benefits in the OASI system would lie in the inflexibility and rigidity of any overall formula. Based on the working history of the individual, would it be of any relative value as to the future needs of the disabled worker and his family during a period of longtime disability? Such a situation, at the local or State level, could be adjusted from time to time on the needs of the individual and his family. If we want to be a real help to

the disabled this latter approach (local and State level), certainly is more realistic than determining benefits on wage records of years past.

The problem is now recognized as a function of the State, and I believe it is the answer to the question of permanent and total disability. I believe you will find in many States the average monthly payment under disability assistance is larger than the average OASI primary benefit. This being true, if you adopt this provision in H. R. 7225, there would need to be some supplementation through the disability assistance programs if the beneficiaries are to receive as much income as now being paid. This would create duplication and perhaps conflicting administration. It would add another plan to the several now in existence under OASI, tending to make it more complex.

I believe it is readily recognized in considering total and permanent disability that rehabilitation is to the ultimate benefit of both the individual and society. Here again the State could balance the incentives to cash benefits and to rehabilitation, since these two incentives may otherwise conflict.

As an example of a proper approach to rehabilitation I refer you to the State-Federal program of vocational rehabilitation, a program in which a 5-year expansion effort is now underway. The number of disabled persons helped to useful and independent lives in the 2 years increased from 56,000 in fiscal year 1954 to 58,000 in fiscal year 1955. This reversed a 3-year downtrend and begins to approach the goal of 200,000 rehabilitations annually. Congress has increased such appropriations from $23 million in fiscal 1954 to almost $34 million for the current year. The major portion of these appropriations were allotted to State programs of vocational rehabilitation. Last November over $400,000 was given in Federal grants to 15 organizations in 8 States for research or demonstration projects that show promise of helping to rehabilitate handicapped persons. No one can deny but that this is progress and, as we reduce the number, the humanitarian and economic benefits will be great.

With adequate and effective use of the services provided by the Vocational Rehabilitation Act, the disabled would have the benefit of a completely integrated and well-rounded program. While being rehabilitated, if need exists, the individual would be considered under the State disability assistance program. There is no need to adopt such a far-reaching and hazardous plan as cash benefits for extended disability. Let us continue to test and perfect, through practice and experience, the several plans now in existence such as vocational rehabilitation, the freeze and dropout provisions, and the institutional facilities provided by the various States for certain types of disability. We should not spread ourselves too thin and perhaps fail in our main objective of preparing the disabled to assume their rightful place in society.

I believe the chairman of this committee, in speaking of this proposal in a speech in Chicago last fall, scored plans to add disability payments under social security as a "health insurance function beyond the scope of the act."

I must agree with the thought that has already been expressed before this committee that our Social Security Act should not be further expanded until a thorough study has been made of the background, its operations, its cost, and its future commitments. The Social Security Act has not provided old-age security. Of 14 million persons 65 and over in the United States, only 5.5 million are receiving OASI benefits. However, this past year the American people were compelled to pay nearly $6 billion in social-security taxes.

The Social Security Administration has stated that the old-age and survivors insurance program is self-supporting and is financed through the taxes of workers, their employers, and the self-employed. Such a statement may be questioned. The OASI system, with interest payments, taken from general revenues and paid into the trust fund, is able to get by at the present time. If it did not rely on the Government's power to tax the next generation and succeeding ones, a serious question can be raised as to whether or not it is operating under a proper financial formula.

To many of our people seem to have the mistaken idea the Government has somehow discovered a magic formula for meeting the costs of social security. The program as originally conceived was designed to help prevent destitution in old age. It was never intended that the payments by the workers should bear an equitable relationship to the benefits received by those who qualify. The amounts of benefit were to reflect presumptive need. Social security was not conceived as an annuity plan. Now we have developed a program providing substantial amounts of old-age retirement benefit and various payments to survivors for the majority of the population regardless of need or eventual cost. The present program is piling up large obligations for future generations. The

maximum tax rates of 9 percent (or 6¾ percent in the case of the self-employed) would not be accepted by our people today. Why then pass this tax burden on to our children, an amount we ourselves are unwilling to assume. As Congressman Utt of the House Ways and Means Committee wrote in a dissenting report on the 1954 Social Security Amendments: "I wish to state it is my fearful belief that the social-security tax is fast shaping up to becoming a secondary graduated income tax upon wages and salaries, a tax which, when its full impact is felt, will shake our social security system to its very foundation."

Just last July the Secretary of the Treasury, who is the Managing Director of the OASI "Trust" Fund, testified before the House Ways and Means Committee that the OASI system is actuarily unsound. When he was asked by a member of the committee if it was his opinion that the system was actuarily unsound, he replied "Yes under the present provisions of collection and disbursement," Congressional Record, July 5, 1955, p. A4871).

If the system is already actuarily unsound, the wise thing to do is to refrain from building further on a weakened foundation by adopting these amendments, and particularly the total an l permanent disability provision. It would appear to be most opportune to study it and make the corrective changes in the system. Then we would know how far we could go in improving its provisions.

There has never been a single comprehensive and carefully objective study made by disinterested and competent authority that would clearly point up where social security is taking us. There is no emergency, today, requiring early enactment of any further liberalizing amendments to OASI.

I therefore respectfully recommend to this committee to give consideration to the creation of a well-qualified commission, either governmental or private or both, to make a thorough, objective and impartial study before taking any action on the bill now pending. I believe it is of great importance for the people of this country to know whether governmental social security has been developed properly or improperly, and whether we can go on adopting increases in benefits every even-numbered year without sooner or later reaching a point where social security will become harmful to the American people. Such a study should be made in the light of the present economic and political impact of social security; ascertain whether the increasing benefit disbursements, now foreseeable, will make inroads on the living standards of self-supporting people; what are the inflationary or deflationary implications of social security; what are the proper interrelationships among old-age assistance, the OASI system and private pensions, etc. The facts developed from such a study could be the basis for objective improvements in the system for the benefit of all of our people.

Social Security Commissioner, Charles Schottland, a few months ago told the Gerontological Society that by 1980 almost all retired aged will be eligible for OASI benefits. He also stated social security payments are now going to about one-half of the Nation's aged population. In view of this statement, I think it behooves this committee to make sure that our social security system is set up to continue on a proper financial basis, so as not to be a disappointment to the coming aged and those of future generations.

I most urgently request your favorable consideration to such a course of action at this time.

The CHAIRMAN. Thank you very much, Mr. O'Connor.

Any questions?

Senator BARKLEY. No.

The CHAIRMAN. The meeting is now adjourned until 10 o'clock tomorrow morning.

(By direction of the chairman, the following is made a part of the record:)

LIFE & CASUALTY INSURANCE COMPANY OF TENNESSEE,
Nashville, Tenn., January 25, 1956.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I should like to express my views as an individual to certain portions of bill H. R. 7225. I expressed these views in letters to Senators Gore and Kefauver last month and received a reply from each of them. They have both promised to go into all aspects of this bill and weigh the matter carefully before voting upon it.

As a medical director of an insurance company, I am sure that you realize that I not only understand, but fully endorse, any type of cooperative pooling of funds for the protection of the individual against the unpredictable loss of life or time. I have been associated with most of the phases of life, health, and accident insurance for over 20 years and at one time in connection with a large New England company I was primarily concerned with the attempt to rehabilitate many policyholders who were drawing total permanent disability benefits for a long period of years and apparently making no effort at rehabilitation or attempt to become self-supporting, even when this seemed possible.

I believe you will find if you make inquiries to those who have been connected with the life and health insurance business that there are two major pitfalls with which it is difficult, if not impossible, to deal properly. The first of these is the individual who would rather draw a small amount of money from a health insurance or similar contract and do no gainful work because of actual or fancied illness than make an effort to regain his health and work for a larger income by his own efforts.

The second is a corollary to the first, and that is the difficulty of getting proof of the extent of a claimant's disability which is entirely factual and not influenced by financial considerations. Experience has shown that in legitimate illness where disability exists, the period of disability tends to be prolonged when financial compensation is drawn during the period of disability. In other words, the collection of indemnity removes the incentive to recover in too many cases. This is not always, or even often, a conscious drive, but nevertheless is actual.

Persons who know they are eligible to draw benefits from the proposed portion of the bill which permits retirement from age 50 on in cases of total permanent disability might readily put pressure upon their physicians to certify to this disability. This pressure might be difficult for the physician to resist, despite his conscientious desire to be honest and accurate, for the life of any physician's practice depends in great measure upon the good-will of his patients. Once a man has been certified as totally disabled, it is almost impossible to disprove the continuance of such total disability where the primary factor in the disability, for example, is severe pain. Pain and other subjective symptoms cannot be disproved and one must rely on the claimant's statements almost entirely.

What I am trying to convey to you is my conviction of the impractical nature of justly administering such a provision in H. R. 7225. This, the richest nation in the world, could be bankrupt by unjust claims which could not be successfully defended. Thousands of persons might thereby be deprived of benefits presently due them under their social security because the funds would not be available with which to pay them.

May I sincerely urge your very careful and meticulous study of this aspect of the bill in particular, for I believe such study will reveal the truth of what I have said.

Cordially yours,

CARL T. KIRCHMAIER, M. D.,
Medical Director.

WOODMEN ACCIDENT & LIFE CO.,
Lincoln, Nebr., January 30, 1956.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: Your committee is currently burdened with the very serious responsibility of considering amendments that have been proposed in H. R. 7225, to the social-security law. It is the opportunity of your committee to spare the citizens of this country an intensification of the increasingly serious and burdensome problem that is developing because of the unsound nature of our social-security structure.

Whether one supports or decries the old-age and survivors benefit program, philosophically, no one can fail to realize that OASI is now a part of the American structure. Certainly under the circumstances the purpose of good citizenship should be to make the social-security structure a sound one and one with which the country can live without ultimately seriously impairing our economy.

While I personally oppose the amendments to OASI proposed in H. R. 7225, it is not my purpose in this communication to argue that their cost would be prohibitive, that the introduction of total and permanent disability benefits is a long

step toward the socialization of the medical profession, that existing innovations in the law have not yet had an opportunity to be tested, etc. Rather, I wish to invite your attention to the uncontrovertible fact that in the 30-year history of social security in this country, there has never been a single comprehensive and carefully objective study made by disinterested and competent authority that would clearly point up where social security is taking us. There is no emergency today, requiring early enactment of any further "liberalizing" amendments to OASI. Any pressure behind early action proceeds from purely political considerations.

Under these circumstances, you and your distinguished colleagues of the Senate Finance Committee, have an opportunity to perform a significant public service by indefinitely postponing any action on H. R. 7225 until ample opportunity has been supplied for a careful, honest, factual study of the whole social-security structure. I most urgently request your favorable consideration to such a course of action at this time.

Cordially yours,

E. J. FAULKNER, *President.*

NORTH AMERICAN ACCIDENT INSURANCE CO.,
Indianapolis, Ind., January 31, 1956.

Re H. R. 7225, social-security bill

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: In earlier years I have had correspondence with you, especially in opposition to the ever-increasing social-security program. It is the outstanding vehicle of destruction to the safeguards of human liberty. That means eventually everyone's personal freedoms are sacrificed.

Your statements, your published articles, in the past have been as effective as any I know about. Maybe you now can point out in such fashion that the people can understand—i. e., union members, farmers, and the rank and file of citizens alike—how there can be no material security if personal freedoms are surrendered as the price.

Some writers have pointed out that since the times when man was a serf, on down to the creation of our own Constitution and Bill of Rights, personal freedoms, i. e., human liberty, was attained by taking it from the power of government. Now here we are in this wonderful land, being exploited by Socialist, Communist, and politician, to give back to government, the safeguards to liberty, in exchange for this and that promise of security!

I do indeed hope that at least this H. R. 7225 bill can be killed. Can't we at least "hold the line where it is"? Why open up new avenues of exploitation under the guise of promise of more security. Each time additional powers are granted, then along come extensions of those powers.

May I again thank you for what you have done in the past and hope that the power of your voice and wisdom, along with same of others, can wake up the people and make them see and realize how very foolish these false promises of security really are.

Cordially and respectfully,

M. E. NOBLET.

NEW HAMPSHIRE STATE ASSOCIATION OF LIFE UNDERWRITERS,
Manchester, N. H., January 30, 1956.

Hon. STYLES BRIDGES,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR BRIDGES: As you no doubt are aware H. R. 7225 is the current social-security bill now before the Senate Finance Committee. This bill was bulldozed through the House, with no public hearings, and our association and other associations like us were given no opportunity to express our stand on this bill.

The bill concerns further broadening of the social-security law, such broadening taking place for the fourth time in as many election years. I am writing to you in my capacity as president of the New Hampshire State Association of

Life Underwriters, the group which you so ably addressed at the Manchester Country Club at our annual sales convocation 2½ years ago.

There are four basic features of this bill. First of all, it will extend OASI coverage to all self-employed professional groups now excluded except doctors. Our association supports this part of the bill. It lowers the eligibility age for female beneficiaries from 65 to 62. We feel there is no justification for this reduction in age for many reasons. First of all, people are living longer and instead of advancing the age to 62 a more realistic proposition would be to retard the age to say 67 or 68. However, we feel that there is nothing to be gained by advancing the age for retirement for women. It would throw all present pension and retirement plans completely out of gear, particularly those which are integrated with social security. It would be the first step in a move to advance the retirement age for men, and before the merry-go-round would end it would be down to age 50 for all sexes. We do not feel this to be in the least bit feasible.

Another provision would allow the payment of cash benefits to totally and permanently disabled workers commencing at age 50. We oppose this provision. First of all, the OASI program is and should continue to be primarily for the benefit of retired workers and their dependents and the surviving dependents of certain deceased workers. Secondly, we in the insurance industry are well aware that what constitutes total and permanent disability is as broad and as variable as the number of people making applications for same. The necessity for governmental supervision in this field would be mountainous, and the expenses would be incredibly high. Here again, the camel's head would be in the tent for eventually providing benefits for dependents of disabled workers, reducing the age minimum for them, and also adding benefits for workers only temporarily disabled. I believe it is obvious that the added cost of such a program could very well bring the OASI program to complete disintegration.

The fourth provision would provide for continuing payment of benefits to totally and permanently disabled children past the age of 18, and we oppose this for the same reasons as mentioned in the foregoing paragraph.

The last provision would raise the social-security taxes on employers and employees by 1 percent, effective January 1, 1956, and the rates on self-employed persons by three-fourths of 1 percent making the ultimate scheduled employer-employee rate 9 percent and the self-employed rate 6¾ percent in 1975 and thereafter. The Secretary of the Department of Health, Education, and Welfare has gone on record as opposing more liberal social security benefits. We feel that since this is the administration program, all advocates of economy in Government, among whom you are an outstanding example, can rally behind the administration in this instance, and party lines can be crossed. We are sincerely hopeful that you will pursue your course of advocating economy in Government, and here is a prime example of a very definite extravagance in Government if this program is passed. On behalf of our association, which numbers several hundred in the State of New Hampshire, may I urge you with all vigor at my command to oppose all provisions of House Resolution 7225 with the exception of the section which would broaden coverage to include some occupations not now covered. Your cooperation and support in this instance would be much appreciated.

Thanking you for your kindness,

Sincerely yours,

RALPH A. TANGUAY, *President.*

CHICAGO, ILL., *February 8, 1956.*

Hon. HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

DEAR SIR: On behalf of the Illinois State Association of Accident and Health Underwriters, we would like to go on record opposing H. R. 7225, social-security amendments.

The Illinois State Association is an organization of some 450 accident and health salesmen. We are a competent part of an international association both of which are pledged to placing our industry on the highest possible plane of professional service to the public.

We feel that the social-security amendment H. R. 7225, and most certainly that provision providing disability insurance benefits, will be prohibitive in cost and would weaken an already weakened trust fund. Ex-Secretary Hobby expressed her concern over these points last July in her appearance on this very same bill.

We would suggest that the problem of the disabled worker be left in the hands of the States or recommend the creation of a well qualified commission of both industry and Government to make a thorough and objective study before taking any action on H. R. 7225. One of the prime objectives of such a study is whether increases in social security every 2 years wouldn't soon reach a point where the social-security tax would be a harmful tax burden to the American people.

I hope, Senator, that all aspects of this amendment will be carefully studied and weighed before any action is taken.

Respectfully,

W. G. MANZELMANN,
President, Illinois State Association of Accident and Health Underwriters.

MILWAUKEE, WIS., *February 10, 1956.*

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D. C.:

Before taking action on H. R. 7225, please consider that the disability industry itself has a great fund of knowledge and experience relative to permanent and total disability, notwithstanding no company has yet been able to successfully underwrite the moral hazard during periods of depression as exemplified by the black thirties. Malingering made normal underwriting well nigh impossible. This prevalent perversion of disability insurance benefits during this period caused great losses and in many cases actual bankruptcy to many of our insurance companies. Let us not forget the lesson we have learned. This information can be readily obtained from any insurance company that has been engaged in selling accident and sickness insurance during this period. These records will furnish you with irrefutable evidence that government can hamstring itself financially by adopting that portion of H. R. 7225 that has to do with permanent and total disability benefits being incorporated within the framework of our social-security program.

TOM CALLAHAN,
President, Accident and Health Underwriters of Milwaukee.

ILLINOIS MUTUAL CASUALTY CO.,
Peoria 2, Ill., February 15, 1956.

Re H. R. 7225.

Hon. HARRY F. BYRD,
Chairman of the Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I want to tell you how much I admire the manner in which the hearings on the above bill are being conducted by you and your committee.

Also I should like to express the opinion that the social-security system should not be expanded as regards so-called coverage until a full research study can be made of the effects of the Social Security Act on our economy. Further, it is hard to understand how any voluntary inclusion or exclusion of various professional or other employment groups can be considered in view of the fact that by offering a choice the Congress is in effect offering such a group the opportunity of being taxed or not being taxed. Many people would like to voluntarily be excluded from other taxing systems in this country. It is difficult to conceive how any group should have the right to forego paying taxes whereas other employment groups have no such right to get out from under the same taxing system. If professional groups should have this right to be excluded from the social-security system, then I, and other people like me, should also have a similar right to be excluded.

The continuing increase in social-security taxes is becoming more and more of a burden to everyone. Since the benefits as well as the size of the tax are

subject to the decision of future Congresses, I would prefer to purchase annuity contracts from private insurance companies in order to provide my own old-age security. For those improvident or unfortunate persons who are not in a position at advanced age to provide for themselves there should be some minimum social-security pension. This should be only for those who require it and should be the same amount for each. This latter, of course, is a legitimate burden on the more fortunate and the more provident individuals.

Sincerely yours,

FRANK F. DODGE.

CHICAGO ACCIDENT AND HEALTH ASSOCIATION,
Chicago, Ill., February 3, 1956.

Re H. R. 7225 1955 social security amendments.

Hon. HARRY F. BYRD,
Chairman of the Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR BYRD: On behalf of the Chicago Accident and Health Underwriters Association, I should like to express our opposition to the passage of H. R. 7225. While we are not necessarily opposed to the Social Security Act in principle, we do believe that before broadening or extending this act further, that there are several very important points to be considered.

We feel that any change of the act should be subject to close scrutiny by a commission well qualified to understand the problems involved both from a financial and a social point of view. This commission could be made up of either Government officials or men from private industry or both.

It seems quite obvious from the tenor of this bill that the cost would be almost prohibitive. We in the accident and sickness industry do not understand nor can we believe that the Federal Government can underwrite total and permanent disability on a sounder basis than private industry. As you are well aware the accident and sickness business has built experience over a period of many years and based on this experience even today are proceeding with this type of coverage very cautiously.

We also feel that insurance of this type covering the disabled worker is a problem of the individual States and that it can be best solved by a joint program of State and Federal rehabilitation.

Before proceeding on the passage of this bill, we therefore ask the serious consideration of the committee in looking at the problem from all sides. Private industry has done and is doing a remarkably effective job of providing disability income for the public and I am sure can continue to do so under the right governmental atmosphere.

Very truly yours,

ROBERT L. SEILER, *President.*

LONG ISAND CITY, N. Y., *February 16, 1956.*

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR: On July 8, 1955, I brought to your attention a news story stating that the Senate intended to kill the House bill for broadening social security and appealed to you to give this matter earnest and prayerful thought—particularly the provision lowering the eligibility age for women to 62, which God knows is late enough—later than in any other civilized country.

In the February 15, 1956, issue of the New York Journal of Commerce I note that the well-organized insurance lobby has gone into action against this bill. That such a biased, cynical, self-seeking group should be permitted to voice an opinion on social security seems to me as improper as for a court to permit a jury to be picked from a panel composed solely of the prisoner's confederates, friends, and family.

The arguments advanced are neither true nor convincing. Mr. O'Connor of the Insurance Economics Society states there is a rapidly growing trend toward extending rather than reducing "retirement" ages for men and women. What does he mean by "retirement." "Retirement" and "pension eligibility" are very different things. Mr. McDonald of Metropolitan Life carries on this noble

theme, stating "many firms in recent years have increased the retirement age for their women employees from 60 to 65 and that this action has been taken with the backing of the women workers." I ask two questions on this:

(1) The age of the women asked (or were they just informed)?

(2) Were they eligible for pensions on retirement?

It is one thing to be told you will not be forcibly dismissed at 60 and quite another to be told that your pension is going to be withheld for another 5 years. I do not believe any woman would deliberately vote to have her pension so delayed except under coercion—economic or actual. In any case Mr. McDonald can ease his distress of mind by contemplating the fact that such hardy souls need not be compelled to retire at 60 or 70 or 90 or even on the very threshold of the grave.

If you want facts—ask the ordinary working woman nearing 60 whether she looks forward to another 5 years of the rat race—don't ask overpaid insurance executives with nice fat investment portfolios and generous retirement pensions ahead of them (plus the social security they will undoubtedly consider it their duty to collect in due course). Ask the women who have toiled through the long years—seeing their homes only at weekends—not because they want to but because economic necessity has driven them to it—and kept them there.

It seems to me that the arguments advanced are based on a false assumption, namely, that all our working men and women are in permanent and continuous employment for one corporation, terminating only when this retirement age comes. What of the unfortunates who, through no fault of their own, find themselves unemployed when their first years of youth are passed. Everyone knows the almost unsurmountable difficulty facing any middle-aged man or woman (40 for a man and 35 for a woman) seeking a new job—no matter what their qualifications or experience and the impossibility of either securing a decent job after age 50. Nobody knows this better than these very insurance companies for they are primarily if not entirely responsible for these conditions through the working of the corporation pension plans which, because of increased rates for older workers, have automatically barred their employment even if they offer to waive such pension rights. These older workers only become "valuable productive workers" it seems (vide Mr. Cruess of Mutual Life) when a question of benefits arises!

There is also the established fact that the larger proportion of older workers have not been able to make adequate provision for their future security and their resources are limited to their earning capacity. What is to become of them? If they go on relief it will cost the country a great deal more both in money and moral effect than letting them have their earned social security (and their self-respect with it) a bit earlier—for with that small backlog they can at least manage to scratch a living!

The cynical contention of Mr. Cruess of Mutual Life that the hardship of working until age 65 is no more for a man than a woman is beyond contempt and flies in the fact of all medical evidence. In any case as a "man" he is in no position to make such a statement! He also blandly states that the typical resources of elderly widows are considerable particularly from life insurance * * * Whose widows—of prosperous insurance company executives? Certainly not the widow of the average worker!

This letter will strike you as bitter and dogmatic but I am, at least, speaking from actual experience. These things have happened to my husband and to me. I am not theorizing and so feel I have a right to speak up. One gets very weary of hearing about "all time high of prosperity" and "highest standard of living in the world" and then hearing the same voices denying American women a few years of well-deserved relaxation.

Very truly yours,

FREDA TAYLOR BAUMANN (Mrs. C. G.).

P. S.—Reverting to Mr. McDonald of Metropolitan—as one of his policyholders I suggest he would be better employed revising his antiquated actuarial tables to bring them in line with the present-day greater longevity which Mr. Cruess of Mutual (pure minded soul) so deplores—and in so doing bring down his policy premiums to a more realistic level.

STATEMENT OF CARL C. BARE, CHAIRMAN NATIONAL LEGISLATIVE COMMITTEE, FRATERNAL ORDER OF POLICE, AND CHAIRMAN NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS ON SOCIAL SECURITY LEGISLATION

Mr. Chairman, I am Carl C. Bare, deputy inspector of police in the city of Cleveland, Ohio. I am chairman of the National Conference on Public Employee Retirement Systems, representing approximately 1,500,000 public employees throughout the United States, and chairman of the National Legislative Committee of the Fraternal Order of Police. This is a national organization representing more than 40,000 active policemen in the United States. We also represent an undetermined number of retired policemen and dependents of retired and active policemen.

The Fraternal Order of Police has consistently opposed the inclusion of policemen in social security since the inception of the social-security program.

We have taken this position because we know that social security is not a program designed to fulfill the retirement needs of a police department.

The problems of police retirement systems are vastly different from those of most other retirement systems. Policing is a young man's occupation. Members of our police departments must be men who are physically able to cope with any situation which might arise. If we required our members to work until they had reached age 65, when they would be eligible for social-security benefits, we would soon find our departments largely composed of men who had passed their physical peak and were no longer able to cope with all the situations which confront a policeman. Statistics show that most offenses are committed by young persons and policemen of advanced years would certainly be no physical match for these offenders. The efficiency of our departments would be greatly reduced and law enforcement would suffer. This would certain not be to the best interest of our citizens.

Most policemen are members of a local retirement system, which is designed to take care of the retirement needs of that particular community. These systems are administered by boards composed of representatives of the public at large, of the city administration, and of the police department, who usually serve without compensation.

They have firsthand knowledge of the retirement needs of their particular police department and can act accordingly. This would not be true if the policemen were members of a broad retirement system, such as social security, controlled in the Nation's Capital.

One of the most important results obtained by maintaining sound local retirement systems is the effect it has on recruiting able personnel into our departments. Dependable young men who are looking forward to future security seek this type of position. This type of individual usually has the sound judgment needed to be a successful police officer.

These local retirement systems have proved to be a very important factor in maintaining continuity of service, which is so important in maintaining an efficient police department. The retirement benefits the men build up is merely delayed pay for services they have rendered and the only way they can collect this delayed pay is to continue in the police department and receive it in the form of retirement income after they have completed the necessary years of service. This has been an important factor in preventing large numbers of our policemen from leaving the departments for better paying positions elsewhere. This is especially true in periods when jobs are plentiful and wages are high.

Experience is one of the most valuable assets of a police officer and certainly we cannot afford to lose a man after he has gained the necessary experience to properly and efficiently perform his duties. It costs a great deal of money to train a new policeman and the local police department can ill afford to spend this money for training, only to lose a man when he has reached the peak of his ability. Under social security the retirement credits are transferrable from one job to another and there would be no inducement for these men to continue in their police departments.

It is our sincere opinion that no change should be made in the social-security laws which would extend coverage to members of police departments. The experience of our local retirement systems over a long period of time certainly justifies this conclusion. The National Conference on Public Employee Retirement Systems supports the views of the Fraternal Order of Police in this matter.

We therefore respectfully urge you to give our opinions favorable consideration.

BANGOR, MAINE, *February 23, 1956.*

HON. FREDERICK G. PAYNE,
United States Senate,
Senate Office Building, Washington, D. C.

DEAR FRED: I am calling to your attention social-security bill, H. R. 7225, now before the Senate Finance Committee and my personal feeling thereon which parallels the thinking of the members of the Eastern Maine Life Underwriters Association and in the main also conforms to the position of the National Association of Life Underwriters in regard to the so-called liberalization of the Social Security Act proposed by H. R. 7225. Also I may add that I find that my thinking agrees with every man of consequence in this part of Maine with whom I have discussed the matter.

I am not opposed to H. R. 7225 in toto; but I must confess I have contempt for persons who become so concerned for the "people" only on election years and I do not overlook the fact that this is the fourth time in as many election years that a bill would "liberalize" social security.

I definitely feel that old-age security insurance should be extended to self-employed professional groups and all gainfully employed persons who, desiring such coverage, are willing to contribute to the support of the OASI program. There should be no favored or forgotten groups in this matter, as is presently the case.

But when it comes to reducing the age from 65 to 62 for female beneficiaries, we then overlook some of the facts of life. Such a move, except possibly in the case of wives and widows of retired and deceased male workers, is at complete variance with the increasing longevity and progress in improving the health of both male and female workers and, thus, their useful working lives. In my opinion this proposal re female workers is the opening wedge toward reduction in retirement age of all workers, an artful peg on which to hang an appeal for votes, but extremely ill conceived in relation to our national economy.

As regards reduction to age 62 for wives of retired workers, the chief actuary of the Social Security Administration reports that 98 percent of male workers continue working beyond their age 65 for reasons other than the fact that their wives are not eligible for benefits.

It is absurd to say that reduction to age 62 for widows will solve the problem of employment opportunity for elderly widows. Obviously the problem of a widow finding profitable employment becomes acute at any age beyond 40 unless that widow had specialized training in youth.

As regards cash benefits to totally disabled workers beginning at age 50 and to disabled children past age 18 and the mothers of such children, my own experience in the field of disability insurance definitely prompts me to feel that money spent to rehabilitate disabled persons is more realistic than a cash benefit program. It is amazing how cash benefits to a disabled person can destroy that person's incentive to recover. In contrast to that deplorable condition I call your attention to the fact that of 600,000 disabled war veterans who received vocational rehabilitation training, 95 percent are employed and their earnings are $400 per year above the national average income.

Pursuant to the presently proposed liberalization the next probable steps would be proposals to provide benefits for dependents of totally disabled workers, elimination of minimum eligibility age for such workers and addition of a program of benefits to temporarily disabled workers.

I am shocked when I study the factors of cost to the taxpayers that H. R. 7225 will produce as estimated by the Department of Health, Education, and Welfare. I commend to your thoughtful study that Department's estimates.

Therefore, I am opposed to the proposed increase in OASI tax rates unless and only unless the proposals for cash disability benefits and lowering the eligibility age for women are enacted into law, thus increasing the cost of the OASI program.

With personal regards, I am

Sincerely,

PHIL R. HUSSEY.

(Whereupon, at 12:30 o'clock, the hearing adjourned to reconvene at 10:15 a. m., Wednesday, February 15, 1956.)

SOCIAL SECURITY AMENDMENTS OF 1955

WEDNESDAY, FEBRUARY 15, 1956

UNITED STATES SENATE,
Committee on Finance,
Washington, D. C.

The committee met, pursuant to recess, at 10:15 a. m., in Room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Barkley, Williams, and Carlson.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order. Several Senators will be in shortly.

I submit for the record a report from the Tennessee Valley Authority expressing approval of sections 104 and 201 of the bill.

TENNESSEE VALLEY AUTHORITY,
Knoxville, Tenn., February 16, 1956.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR BYRD: This is in response to your letter of February 6 ,1956, in which you requested a report on H. R. 7225, embodying the social-security amendments of 1955.

Sections 104 and 201 of the bill are of great interest to TVA, since they provide for extension of old-age and survivors insurance coverage to TVA employees who are members of its retirement system. We favor this proposed extension of coverage.

The TVA retirement system was established in 1939. Its benefits are generally comparable to those provided under the civil-service retirement system, although the features of the plan are different and the TVA system is set up on a funded basis. It was devised to meet the particular needs of TVA. One of the characteristics of TVA employment is that employees are likely to interchange with private employment to a greater extent than do employees of the regular Government departments. This, we believe, makes particularly appropriate and desirable extension of OASI coverage to members of the TVA retirement system. In the absence of such coverage, employees coming to TVA from private employment must sacrifice in whole or in part credits which they have already earned under the OASI system. Extension of OASI coverage to TVA employees belonging to its retirement system was specifically recommended by the Kaplan committee.

We propose, if OASI coverage is extended to members of the TVA retiremnt system, to put into effect a plan for modifying the benefit and contribution provisions of the system. Specifically, we would reduce the TVA contribution to that system by 2 percent on the first $4,200 of annual salary of employees under the system. Accordingly, there would be no increase in total cost to TVA as a result of inclusion within OASI coverage so long as the employer contributions to OASI remain at the present 2-percent figure. Payments to the TVA retirement system required of employees would also be reduced 2 percent on their first $4,200 of annual compensation. The cost to TVA and its employees would, of course, increase in the future, as it will for employers and employees generally, to the extent that the OASI tax rate increases.

Under the plan we would propose to adopt; TVA employees covered by both systems would be entitled at age 65 to a pension paid for by TVA's contributions. This pension would involve payments equal to 1 percent of their average salary for the 5-year period of highest earnings multiplied by the number of years of creditable TVA service, less an amount equal to one-half percent of the first $4,200 of annual compensation for years of service occurring after the date OASI coverage becomes effective. In addition, each member would receive an annuity amounting to exactly what his own contributions could buy on the basis of established annuity and mortality tables. The benefits which have accrued to members prior to the effective date of OASI coverage would, of course, not be affected. This feature of the plan would allow somewhat larger benefits per yaer of service to present older employees already near age 65 because OASI benefits, unlike the benefits of the TVA system, are not in proportion to length of service. This is particularly desirable from TVA's point of view because the agency is relatively new; none of our employees have had more than 22 years of TVA service, and most of them have had considerably less. Therefore, the TVA retirement system benefits are not now by themselves adequate for retirement in many cases. The advantage of combined benefits under the proposed plan diminishes gradually with the age of the individual at the time of coverage. The major advantages for the younger employees would be the provision for dependents through OASI survivors' benefits, and the continuity of protection for employees who come from private industry or leave for private employment.

Apart from the question of coverage for TVA employees who are members of its retirement system, there is one technical problem of general application in connection with the proposed legislation which we should like to mention. The present social-security law fixes the starting date as January 1, 1951, and provides for a dropout period of either 4 or 5 years, depending on whether employees have 20 quarters of coverage. Older employees now covered for the first time will be seriously disadvantaged unless a new starting date is provided or the dropout period lengthened, since their periods of uncovered employment subsequent to January 1, 1951, will exceed those presently provided for dropout periods.

If your committee would like to have a fuller expression of TVA's views on this bill, we would be glad to have our Director of Personnel appear before your committee in order to present our views in greater dettail and to respond to questions the committee may have with respect to OASI coverage for affected TVA employees.

In view of your request that a report be submitted to you at the earliest date possible, this letter has not been submitted to the Bureau of the Budget.

Sincerely yours,

HERBERT D. VOGEL,
Chairman of the Board.

The CHAIRMAN. The first witness is Mr. Nelson Cruikshank of AFL-CIO. We are very much pleased, sir, to have you before the committee again.

You may proceed.

STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY ANDREW J. BIEMILLER, MRS. KATHERINE ELLICKSON, AND JOHN W. GREENE

Mr. CRUIKSHANK. Mr. Chairman and members of the committee, my name is Nelson H. Cruikshank, and I am director of the department of social security of the American Federation of Labor and Congress of Industrial Organizations.

I am accompanied this morning by Mrs. Katherine Ellickson of my department, assistant director; Mr. Andrew Biemiller,, who is a member of our legislative department; and Mr. Greene, who comes up here from the Tennessee Valley. He is a member of the executive

board of the Tennessee Valley Trades and Labor Council and represents that organization and the labor unions of that area affiliated with the council.

It is a privilege to appear before your committee today as spokesman for the 16 million members of unions affiliated with our merged labor federation.

Virtually all of our members are covered by the old-age and survivors insurance program or the comparable Government programs for railroad workers and career civil-service employees. We can assure you that our members wholeheartedly support the basic principles which Congress has written into the national social-insurance programs.

You will recall that in 1953, when the United States Chamber of Commerce was asking for sweeping revisions that were contrary to the accepted principles of the social-security system, the labor movement, together with other liberal groups, rallied energetically and successfully to its defense.

We mention this because some of the witnesses who are opposing further improvements in social security appear to be actually in doubt about the entire program. When they ask for further study, they are carrying on the battle which they lost in 1954.

Thus President Riter of the National Association of Manufacturers has said that the old-age and survivors insurance system "is still an unproven social experiment." That was a statement of February 16, 1955, filed with the Joint Committee on the Economic Report.

The resolution on social security adopted by the House of Delegates of the American Medical Association on December 1, 1955, says that "there has never been an adequate objective, unbiased study" of old-age and survivors insurance, ignoring a long record of such studies. The AMA resolution also declares "liberalizing amendments to the Social Security Act have been so frequently enacted in election years as to justify the inference that political expediency rather than sound public policy was their motivation."

In this case, as in other statements, the AMA resolution reflects a lack of trust in the people of the United States and their elected representatives. The most charitable evalution of such a statement is that it reflects ignorance of the years of painstaking study by Congress and the committees of both the House and Senate.

If we wished to cause delay, we likewise could raise many questions and suggest many additional remedies. But we are interested in action now by this Congress on at least the minimum program for improvement embodied in the bill now before this committee, namely, H. R. 7225. Just last week at the first midwinter meeting of the executive council of the merged federation the council unanimously approved the recommendation of its social-security committee to support the enactment of this measure as an immediate legislative objective.

More far-reaching objectives were unanimously adopted in a resolution by the recent AFL–CIO convention in December supporting—

comprehensive expansion and improvement of the existing system of old-age and survivors' insurance to provide adequate benefits as a matter of right to the aged, the permanently and totally disabled, and those suffering from temporary illness or accident.

Favorable mention was made of the Lehman-Dingell bill, which both the AFL and CIO supported in 1954. Specific proposals not covered by H. R. 7225 for improving social security were endorsed by the convention, but rather than reading the resolution in full we are appending it and asking that it be included as part of our statement.

I have that resolution here, Mr. Chairman, and I would like to give it to the reporter, with your permission, for inclusion in the record.

The CHAIRMAN. That may be included in the record.

(The resolution referred to is as follows:)

RESOLUTION ADOPTED BY FIRST CONSTITUTIONAL CONVENTION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, NEW YORK CITY, DECEMBER 7, 1955

OLD-AGE AND SURVIVORS INSURANCE, DISABILITY INSURANCE, AND PUBLIC ASSISTANCE

During the 20 years it has been in existence, the national system of old-age and survivors insurance has fully proved its worth. Most Americans are now contributing regularly to the trust fund, and over 7 million persons are receiving benefits.

Our members are well aware, however, of serious limitations that remain in the OASI legislation. In spite of amendments which organized labor helped to secure in recent years, benefits are still too low, no insurance payments are made for permanent and total disability or temporary disability, and many workers do not receive any protection.

The Lehman-Dingell bill, which both the AFL and the CIO supported in 1954, would have substantially remedied these shortcomings.

The House this year passed a bill (H. R. 7225) which was supported by organized labor and which embodies important though restricted forward steps. It would initiate the payment of benefits to the permanent and totally disabled at age 50, with the same eligibility requirements now provided for freezing the pension rights of such disabled persons. For women, the bill would lower the qualifying age for OASI benefits to 62 years in recognition of the fact that many wives are younger than their husbands and that older women have even greater difficulty than men in obtaining steady employment.

The House bill would likewise extend coverage to additional groups, including employees of the TVA and many self-employed professionals. It would continue benefits for disabled dependent children of beneficiaries after age 18.

To finance these improvements, a one-half-percent contribution by employers and employees would be added to the schedule previously enacted. An advisory council on social-security financing would be established to review the status of the trust fund in relation to the long-term commitments of the program. These provisions are consistent with the historic position of American labor in support of a social-security system soundly financed on a long-term basis.

This House bill is now awaiting action by the Senate Finance Committee. Unfortunately, powerful groups, including the United States Chamber of Commerce and the American Medical Association, are planning a strenuous fight against these long-overdue changes, especially the provision for disability benefits.

While labor has emphasized the development of rounded social-insurance programs under which benefits are paid without a needs test, our unions have also favored improvements in the public-assistance provisions of the Social Security Act designed to provide decent incomes for those not adequately reached through social insurance. In many States payments to the aged, dependent children, and other groups are pitifully small, and the terms for qualifying are too harsh. Proposals such as those of the United States Chamber of Commerce for eliminating Federal grants for public assistance overlook the common national interest in the health and welfare of old people. Some attention to the public-assistance programs must be given by Congress this year because of the coming expiration of a special $5 a month Federal grant: Now, therefore, be it

Resolved, This convention supports comprehensive expansion and improvement of the existing system of old-age and survivors insurance to provide adequate benefits as a matter of right to the aged, the permanently and totally disabled, and those suffering from temporary illness or accident.

The provisions for improving benefits should include the following:

1. An increase in the wage base to keep pace with rising wage levels;
2. An annual increment of one-half of 1 percent of the primary benefit for each year of contributions;
3. A 2-percent increase in the primary benefit for each year of continued employment beyond age 65;
4. The inclusion of tips as wages.

The success of the OASI program and of other social-insurance systems which provide disability benefits has amply demonstrated the practicality and value of such measures. We likewise favor use of OASI funds to aid in vocational rehabilitation of disabled persons so that they may become self-supporting.

We favor continuation of Federal grants for the public-assistance programs, more adequate assistance payments to individuals on a basis consistent with human dignity and self-respect, and removal of harsh requirements with regard to eligibility and residence.

We shall continue our efforts to achieve adequate social security both through collective bargaining and through Federal and State legislation.

Mr. CRUIKSHANK. To further facilitate early action by your committee, we shall deal today primarily with the provisions of H. R. 7225.

The most important feature of this bill is the provision of benefits for the permanently and totally disabled at age 50. This provision would add additional insurance protection for all those now covered by the program. None of us knows when crippling accident or diseases may strike, and all would benefit by the provision of cash benefits in case we should be the ones to suffer.

Because of its importance, we offer a more complete discussion of disability insurance later in this statement. We shall dispose first of the other sections of the bill for which we also strongly urge your support.

REDUCTION IN AGE OF RETIREMENT FOR WOMEN

The AFL and CIO have in the past appeared before congressional committees favoring reduction in the minimum retirement age for women from 65 to 60. The executive council last week voted to reaffirm this position, rejecting, on the recommendation of the social-security committee, a number of resolutions calling for the lowering of the age of retirement for all covered workers.

The Advisory Council on Social Security to the Senate Committee on Finance, created by the 80th Congress, unanimously recommended that "the minimum age at which women may qualify for old-age benefits (primary, wife's, widow's, parent's) should be reduced to 60 years." That appeared on page 43 of the Advisory Council's Report on Old-Age and Survivors Insurance.

If the retirement age for women is lowered to 62, monthly benfits would go to about 800,000 additional women in the first year. They would consist of about 300,000 women workers, 300,000 wives of retired workers, and 200,000 widows and 3,000 dependent mothers of deceased workers. If the age were lowered to 60, a substantially larger number in each category would be eligible if they wished.

The most compelling reason for reducing the retirement age for women is that wives in many cases are younger than their husbands. If the husband has to cease work at 65, he may be entitled to only $50, $60, or $70 a month. Many aged couples are striving to make ends meet on such miserable amounts. Some have to turn to public assistance for extra aid.

Under the amendments enacted in 1954, average benefits have risen. But no one—except at the minimum—gets more than 55 percent of his average monthly wage, which may already have been reduced below full-time monthly earnings by periods of unemployment or illness. A person with the highest possible earnings credit of $350 a month would receive at most $108.50 or not more than 30 percent of his full-time earnings. To retire means a substantial sacrifice of living levels unless additional sources of income are available, as is the exception rather than the rule.

If the wife is likewise entitled to a benefit, 50 percent is added to the couple's income from OASI. The combined benefits provide something more closely approximating a decent level of living. Medical expenses alone may become a heavy burden, and aged people usually have little or no insurance protection to meet such costs.

If the age of retirement is lowered for aged wives and widows, a similar privilege should logically be granted to women who have been supporting themselves and thus paying their own contributions toward retiremnet. Under this bill, such women would not be forced to retire at age 62—they would be permitted to draw benefits if they wished.

The AFL–CIO is on record for removing discrimination against women and giving them equal opportunity in employment and advancement. We do not believe that the privilege of earlier retirement is discriminatory. In some ways, the lower age of possible retirement should open up new opportunities for older women who are seeking jobs since their prospective employers would know that they could retire at 62 if they suffered from ill health as they approached age 65.

EXTENDED BENEFITS FOR DISABLED CHILDREN

The bill would provide for continuing the payment of benefits after age 18 to a child who becomes permanently and totally disabled before that age. The mother would also be eligible for benefits. This provision would mean much to the families thus aided, but its overall cost is very slight. We urge your support for this improvement, including the House safeguard that disabled children be referred promptly for rehabilitation and that benefits be suspended for refusal, without good cause, to accept rehabilitation services.

EXTENDED COVERAGE

We support broad coverage so that as many people as possible may benefit from this Government program or a comparable one. We are gratified that the lawyers have now indicated that they wish to be included.

We have been trying to tell the doctors, Mr. Chairman and members of the committee, that it would be to their advantage to be included. But while we find it usually of advantage to take the doctors' advice, the doctors do not seen to want to take our advice. However, maybe they will take the advice of members of another profession who have now made quite a study of this.

Senator BARKLEY. You do not take the doctors' advice on legislation?

Mr. CRUIKSHANK. No, sir; we do not. We hope they will take the advice of the lawyers in this case.

We urge especially that you extend coverage to the 13,000 workers of the Tennessee Valley Authority who have indicated their desire for this protection. It is also desirable to include workers engaged in the production of turpentine and gum naval stores.

As I indicated, Mr. Chairman and committee members, I am accompanied by Mr. Greene, who is a member of the executive board of the Tennssee Valley Trades and Labor Council. He has a statement to introduce in the record in support of coverage of TVA employees.

We recommend that you extend social-security coverage to those intermittent building trades workers who are hired from time to time by the Architect of the Capitol. These are employees who are normally in covered employment.

We hope you will resist the argument that many agricultural workers now protected should be excluded through requiring an additional specification as to length of employment or weekly payment. You will recall that President Eisenhower, on the recommendation of an advisory group, recommended a more liberal provision in regard to farm labor than was adopted by Congress in 1954.

Migratory workers badly need social insurance in view of their low incomes and other disadvantages. The Nation should help improve their lot, making it possible for them better to provide for the health and education of their children and so that jobs of this type will attract sufficient workers.

DISABILITY INSURANCE

Our support of the disability insurance provisions of H. R. 7225 as an immediate objective arises from our belief that such a program is urgently needed and that this bill contains necessary elements of a successful insurance program.

The definition of disability is the same as for the existing freeze of pensions rights, namely:

> 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.

Emphasis is placed on rehabilitation so that the person may be restored to productive work and no longer require benefits. But where rehabilitation is not possible, and for the first year during which a new earning capacity is being tested, the individual receives the benefits each month as a matter of right, with no means test.

To be eligible for benefits, a worker would have to have had 5 years of coverage in the last 10 years and be in fully and currently insured status under the Social Security Act. The disability would have to be in existence for at least 6 months before monthly benefits would be payable. The worker would also have to have reached the age of 50. This limitation is more severe than need be, in our opinion, since we believe a younger person who has had the necessary continuity of employment and substantial attachment to the labor force and who is disabled is equally entitled to protection.

Nevertheless, the essential parts of a sound program are included, and the Nation would benefit greatly through early enactment of the bill.

In view of the limitations, only a portion of the permanently and totally disabled persons in the Nation would be entitled to benefits. On an average day, an estimated 2.2 million persons age 14 to 64 are prevented from seeking work as a result of disability that has lasted over 6 months. Under the House bill, perhaps 250,000 individuals would receive disability benefits in the first full year of operation. The figure would rise thereafter, perhaps to 1 million disabled beneficiaries after 25 years. Certainly this is not such a broad program as to warrant feart about dangerous abuse or ill effects on the trust fund.

In the first full year of operation, the total cost may be about $200 million or only one-tenth of 1 percent of taxable payrolls. Averaged over a long period, the cost might be 3 or 4 times as much, but not equal to one-half of 1 percent. These are the official intermediate cost estimates, which may again prove to be too high. This minor cost would probably not by itself require any immediate change in financing provisions since this fractional percentage increase might well be absorbed as a result of rising total payrolls.

However, we fully support the increased contribution rate provided for in the bill to meet the improvements in the program. The necessary increases should take effect at the time the additional protection is provided.

While the number of persons who become totally and permanently disabled is fortunately only a small fraction of the total, none of us knows when this catastrophe may affect any one of us. Without such insurance benefits, persons who are disabled suffer a threefold loss which may wll prove overwhelming: They can no longer earn, they have heavy expenses for medical and nursing care, and the future seems without hope, since savings will soon dwindle away.

Wives, children, and other dependents share in the suffering. Poverty and dependency now afflict millions because long-term disability was left out of the national insurance program.

The well-known connection between disability and low incomes was emphasized by the Joint Committee on the Economic Report in its Program for the Low-Income Population at Substandard Levels of Living, published this year. The committee agreed that—

> the Federal Government possesses direct responsibility for expanding social insurance and other programs to provide protection against the contingencies of temporary disability and permanent total disability.

The committee joined in recommending that Congress consider legislation for permanent and total disability insurance. Senator Flanders, in a footnote, urged "great caution," which we believe this bill reflects.

How ironic it is merely to freeze future benefit rights for a man disabled long before age 65. His disability has already been duly certified and accepted, yet he cannot receive any monthly income for many years. If cash benefits were made available at once, he would be more likely to respond to opportunities for rehabilitation and thus again become a productive member of the community.

Public assistance sets a limit to family suffering from economic needs, but is not a substitute for social insurance. For disability, as for retirement, a national-insurance program is required, available to all who are regularly in gainful employment so that benefits may be obtained as a matter of right without a test of need and without regard to residence.

The experiment with substituting public assistance for the permanently and totally disabled, which the Senate accepted in 1950, has not met the problem. Hundreds of thousands of persons have been aided, but far greater numbers have been left the flounder helplessly.

Seven States and Alaska are still not operating a program of assistance to the permanently and totally disabled. Nearly a fifth of the Nation's population resides in these areas. Seven of the States which have a program define disability very severely. Many States have overstrict requirements as to need, so that savings must be virtually exhausted before a person is eligible. Even a life-insurance policy with a cash surrender value of $1,000 may have to be given up as a condition for assistance. The payments are very low in many places, not providing the medical care, food, and general environment that would facilitate recovery. In November 1955 the average monthly payment to the permanently and totally disabled was $55.59.

Millions of people in this country have no practical channel other than social insurance through which they can hope to acquire protection as a matter of right in case of permanent and total disability. Disability-income benefits can be purchased by an individual only through whole-life, term, and endowment policies. Of the 30 largest insurance companies, only 12 sell such protection to men and only 2 to women. No company pays disability-income benefits on disabilities that occur after age 60. Eight include only disabilities prior to age 55. If anyone wants to buy such protection from a private insurance company, he must undergo a rigorous physical examination and may be denied approval. If accepted, the expense may be greater than he wishes to undertake or than he finds he can continue to include in his budget.

These, of course, are restrictions, gentlemen, that are inherent in policies individually sold, because in such individually sold policies, there is an inescapable adverse slection. Such restrictons on disability insurance are not inherent in a comprehensive, compulsory, social-insurance program.

Our unions have had some success in securing collective bargaining agreements that provide benefits for permanent and total disability after 10 or 15 years of service. But such protection is usually lost if the worker is discharged or moves elsewhere, and millions of workers, farmers, and small-business men will not possibly be covered by group insurance.

Only Congress can provide the opportunity for most Americans to purchase insurance protection for long-term disability.

By taking this action, a great social need which otherwise threatens the present old-age and survivors insurance program will be met. You have undoubtedly received letters urging that the retirement age for men be lowered to age 60, as we have received them. This is a natural demand while there is no provision for the large numbers

who cannot continue working after age 60 and find their savings dwindling away while they wait to become 65.

Reduction of the retirement age for men to 60 would add a very large cost since many persons would probably retire who would otherwise keep on working and paying into the system. We believe the large sums involved can be used more usefully to provide disability benefits for those unable to work and to improve benefits in ways suggested by our convention resolution.

What arguments are made against disability insurance to be weighed against its constructive contribution to family security and individual selfreliance?

The American Medical Association and others raise various questions suggesting that the program could not be properly administered. Yet experience over decades has yielded a tremendous volume of evidence that supports our position.

Abundant experience has now been obtained right within the operations of the present old-age and survivors' insurance program itself. Congress decided in 1954 that it would be possible to determine whether people were permanently and totally disabled and, if so, to freeze their pension rights during such disability. Arguments comparable to those now being used were advanced to oppose your decision.

The freeze, as it is so called, is nevertheless operating successfully, vindicating the opinion of your committee and the Congress that the administrative problems could be solved. Final action has been taken in well over 100,000 cases, and more than 70,000 claims of disability have been allowed. Thirty-eight percent have been denied. One hundred and forty-two thousand cases are being processed, with thousands being acted on finally each week. Under the definition you adopted in 1954, the impairment must be "medically determinable." If it isn't, the claim is denied. The thousands who clearly have such an impairment are protected; those whose cases present too great difficulties in determination are excluded.

The Social Security Administration has already developed machinery and procedures for obtaining necessary medical information and for making administrative decisions on eligibility with the cooperation of State agencies. A representative medical advisory committee has cooperated in the program and continues to function. We presume you already have its report of July 1955, embodying its recommendations.

An extensive State manual has been developed for the use of personnel engaged in disability freeze operations. The manual includes medical guides and standards for evaluating disability which were formulated with technical advice from the Medical Advisory Committee. Essential forms have been issued on which the individual's own doctor furnishes necessary medical information.

We have talked with various persons who know of the operation of the disability freeze. Our resultant impression is that the freeze has proved practical and valuable. Evidently the doctors, with negligible exceptions, find they can furnish the necessary information and are willing to to so. Some doctors at first erroneously thought they would have to pass judgment on the person's inability to engage in any substantial gainful activity, but this, of course, is handled by agency personnel.

We are reciting this information, gentlemen, because it boils down to the fact that to a very large degree, the qustion that is before you has been decided. The agency has established the fact that it can determine disability and establish rights under the existing program using the same definition which is in this bill.

We have seen no complaints about the operation of the freeze. Certainly the Department of Health, Education, and Welfare would ask for changes in the setup if they were dissatisfied with either the definition Congress enacted in 1954 or with the administrative arrangements that could be made.

Here is a carefully developed system which could readily be adapted to the change embodied in H. R. 7225 of paying benefits at once when disability has been determined under the same definition now in use.

Thousands of plans involving payment of benefits for long-term disability are in operation today. Hundreds are public programs for employees of States, counties, cities, and school districts. The Federal Government itself has for years been paying such benefits, without substantial criticism, to its own employees, to members of the Armed Forces and to veterans.

Under the various Government programs, about half a million persons are today receiving cash benefits for long-term substantial disabililty, reasonably comparable to the disability covered by the freeze and H. R. 7225. This estimate is based on Government figures showing the number on the rolls for such benefits in 1954. Persons receiving retirement pensions are not included.

And we list here these 8 or 9 categories which total to 465,000, which adds up to the fact that persons who say that the Government cannot administer a disability program, apparently shut their eyes to the fact that it is administering a number of such programs.

(The list referred to is as follows:)

Veterans with 70 percent or more disability:	
World War I	41,000
Korean conflict	18,000
World War II	128,000
Regular Establishment	10,000
Railroad retirement	85,000
Federal civil service	57,000
Federal noncontributory	81,000
State and local government retirement plans	45,000
Total	465,000

Source: Social Security Bulletin, September 1955, p. 30, and Annual Report of the Veterans' Administration, 1954.

Mr. CRUIKSHANK. Thousands of private systems also exist, some run unilaterally by employers, some achieved through collective bargaining. For decades, doctors have cooperated in the administration of Federal and State workmen's compensation laws, under which huge numbers of permanent disability cases have been determined. The public-assistance programs have already been mentioned.

Some of these programs could be improved, but so far as we know there has been no serious contention in any important instance that the entire form of protection should be abandoned because of difficulties in securing cooperation from doctors, in preventing abuse, or in making determinations.

Our labor unions are in touch with these problems through both the Government programs, which may affect their members, and

through negotiated plans. We have not heard complaints from corporations that these negotiated plans for the disabled are not working satisfactorily. On the contrary, we understand from our affiliated unions that in important instances the amount of payments has been far lower than anticipated and there have been virtually no formal disputes about determinations in individual cases.

Now, gentlemen, I have received an advance statement that Mr. Reuther, president of the United Auto Workers, is planning to send to you. In that statement he cites his experience and notes that while they provide for arbitration if disputes cannot be settled, in no cases, covering thousands of workers, have they had to go to the arbitration level. The doctors, the claimants, and their company have been able to settle these between themselves.

(The statement of Mr. Reuther was later submitted for the record by the chairman and appears at p. 672.)

Mr. CRUIKSHANK. Our unions have had years of experience with the Railroad Retirement Act, under which payments for permanent and total disability have been made for two decades. Some changes and improvements have been made in the program during that time, but the general direction has been towards covering a larger percent of railroad employees.

In anticipation of these hearings, we made inquiries as to the success of the Railroad Retirement Board in meeting relevant problems of administration of disability benefits. Mr. Horace Harper, a member of the Railroad Retirement Board, wrote us on December 16, 1955, stating that there has been general satisfaction among representatives of employers and employees with the Board's administration of the system. Mr. Harper says, among other things, that—

> the Board has a list of some 5,000 doctors located throughout the United States upon whom it may call to conduct examinations for the Board upon a fee basis. The list was obtained through the cooperation of the American Medical Association and the Industrial Medical Association, who regularly cooperate with the Board with respect to such matters.

In view of the successful record of cooperation by thousands of doctors with many types of disability programs, does the American Medical Association really believe that cooperation with the Social Security Administration for a general program of disability insurance would be impossible? Or is it again opposing an essential social measure because of unrealistic fears of Government controls that might some day be enacted?

Now, when we are dealing with a problem of this kind, gentlemen, we like to talk with doctors who have had practical experience in these areas. We checked our position with some of the medical men who are administering disability and health programs for unions. I have replies from some of those, including Dr. Leo Price, who succeeded his father as medical director of a program that is over 35 years old, and which for 10 or more years has had a disability provision in it, and from Dr. Brand of the Sidney Hillman Health Center in New York, and Dr. Baehr of the Health Insurance Plan of New York.

These men have assured us that from a medical standpoint, this program is, in their opinion, operable, based on their experience in operating such programs for large numbers of people.

I have their statements. They are too long to read, but if any of the committee members would care to look into the opinions of these

medical men who were selected because they are actually operating programs, I would certainly be more than happy to make their statements available. And they would also be glad to appear, if you want to question them.

The Social Security Administration, which would be responsible for administering disability insurance, has not indicated any hestitation about its ability to do so efficiently. Mr. Arthur Altmeyer, who had been the head of the agency during the period when the social-security programs were originally established, appeared before your committee in January 1950 in support of such a program. He did not fear the proposals of your advisory council and the House bill for insurance for the permanently and totally disabled but, on the contrary, he recommended less severe eligibility requirements and the payment of benefits to dependents as well as to primary beneficiaries.

We understand that the Social Security Administration has made detailed studies of administrative problems, with special reference to the experience and procedures of such agencies as the Railroad Retirement Board. Since Mr. Altmeyer testified in 1950, considerable additional experience has become available under the many Government programs, the private programs, and the disability freeze itself. No one in the Social Security Administration has indicated that the agency has changed its position as to the feasibility of administering permanent and total disability insurance.

The efficiency with which old-age and survivors insurance is administered has won wide recognition among public administrators and business groups. It would be extraordinary if the Social Security Administration could not also run an additional program similar to thousands that already are being operated satisfactorily elsewhere.

We do not mean there would be no problems—every social advance involves overcoming difficulties in order to obtain benefits.

Such an outcry has been raised by the AMA and others about the lack of adequate study of disability insurance, that a brief review of the record may be helpful in assaying the merit of the allegation. Actually, this proposal has been studied more extensively and over a longer period than most programs before their enactment.

Some preliminary studies were made back in the mid thirties when the Social Security Act was being shaped and initiated. In 1938, the Advisory Council on Social Security recommended permanent and total disability insurance, but was divided on its timing. In 1939, the President transmitted to Congress a report of the Interdepartmental Committee to Coordinate Health and Welfare Activities recommending permanent disability insurance benefits. A similar formal recommendation was made by the Social Security Board in 1941. The Advisory Council on Social Security to this committee, established by the 80th Congress, and composed of representative citizens, made an extended study of the matter. Its members voted 15 to 2 in favor, and so reported to you. In May 1948, and again in 1949, the President recommended the enactment of such a program to Congress. In 1949, the House Ways and Means Committee held hearings over a period of many weeks on this proposal and other phases of social security. The House then passed a bill embodying a disability insurance program not unlike that which it again adopted in 1955.

Your committee held extended hearings on the House bill in 1950, receiving much testimony and evidence on disability insurance and other matters. In 1954, the disability freeze, which had been considered earlier, was enacted after hearings.

In view of this long record of study, how can it be seriously contended that your committee is not in a position to pass on the matter at this session?

Another hollow argument is that the unfavorable experience of private insurance companies early in the thirties shows that disability insurance is a dangerous proposition. This matter was considered at length by your advisory council in 1948, and I had the privilege of participating in its discussions at that time. The 2 minority members failed to convince the other 15 that such earlier private experience was conclusive.

Under private insurance, the amount of benefits is not related to earnings, and the companies did not attempt control of this angle. Adverse selection of risks naturally tends to occur under self-selection. The tremendous decline in incomes, widespread unemployment, and general anxiety of the 1929 depression aggravated the situation.

Social insurance such as we propose avoids adverse selection and keeps benefits to a given proportion of earnings. These and other relevant matters were discussed in a Social Security Board report 17 years ago exploring the earlier experience which is still used to argue against H. R. 7225. Comparisons between social insurance and commercial insurance are not always relevant because of the basic differences in the two types of programs.

These various arguments you are hearing against disability insurance have been thoroughly explored. Congress has itself repeatedly concluded that it is feasible to make determinations of permanent and total disability and that it is desirable to pay benefits to persons suffering from such disability. The disability freeze of 1954 has created machinery and procedures which pave the way for extending this additional type of protection to appropriate persons covered by old-age and survivors insurance.

We hope you will concur in the decision of the House to fill this gap in the national social-security system.

FINANCIAL ASPECTS

The labor organizations have in the past repeatedly supported a soundly financed social-insurance system. Thus in 1953 both the American Federation of Labor and the Congress of Industrial Organizations vigorously opposed proposals for postponing the scheduled increase in the contribution rate from 1½ to 2 percent.

Last December the AFL–CIO in its convention resolution unanimously endorsed the financial provisions of H. R. 7225 in the following words:

> To finance these improvements, a one-half percent contribution by employers and employees would be added to the schedule previously enacted. An advisory council on social-security financing would be established to review the status of the trust fund in relation to the long-term commitments of the program. These provisions are consistent with the historic position of American labor in support of a social-security system soundly financed on a long-term basis.

The actuary of the Social Security Administration has told you that the tax increase in the House bill is slightly more than sufficient to meet the added protection, using an intermediate cost estimate. For disability insurance alone, the slight additional cost would probably not be so great as to require an immediate tax increase, as we indicated earlier. The reduction in the retirement age for women is the larger cost item, especially in the immediate future.

Our members, through their elected representatives, have indicated their willingness to meet these costs. They know that through their contributions to the OASI trust fund they pool their savings very effectively to provide insurance against common hazards. Social insurance is indeed a good buy.

We strongly support the proposal for a representative advisory council to consider the financing of the program. Under this bill, the first such council would be appointed after February 1957, and before January 1958. It would review the status of the trust fund "in relation to the long-term commitments of the program, evaluating the financing provisions in relation to the dynamic character and growing productive capacity of our economy." Similar advisory councils would be appointed later prior to other scheduled tax increases. Through such periodic review, the sound financing of the program would be enhanced, which is why we support this provision.

Any actuarial estimate necessarily involves many assumptions as to future developments which may be far from reality in the year 2000. We favor the development of the best estimates possible, but their probable margin of error should be recognized.

A representative advisory council can make its own evaluation of recent and future trends, with the aid of the best experts available, and can similarly develop its recommendations to Congress on appropriate methods of financing.

If the advisory council thinks that the cost will be greater than anticipated, we are confident that our members will continue to be willing to pay their fair share. If the program seems overfinanced, then the recommendations might favor reduced contributions or increased benefits.

I am sure this committee fully appreciates the value of the studies and recommendations that the various representative advisory groups have made in regard to our social security program. It is on the basis of this experience and in recognition of the changing financial needs that we urge the establishment of a statutory advisory council. We pledged our cooperation in all such projects and the continued support of our unions for an adequately and soundly financed program.

If you will enact the improvements we have recommended, many millions of Americans will gain by your action. Life will become richer for many aged couples. Tens of thousands of disabled will be stirred to renewed effort at recovery by an assurance of cash benefits now, rather than in the dim future. One more safeguard against future loss of income will be provided for tens of millions who cannot know when disability may come. Through such a cooperative program our Nation will win one more battle against poverty and toward decent levels of living for all.

Thank you gentlemen. If you have any questions, I should be glad to attempt to answer them if I can.

The CHAIRMAN. Thank you, Mr. Cruikshank, for a very comprehensive statement.

Are there any questions?

Senator BARKLEY. I would like to ask just one question here in regard to the disabilities and arbitrary age of 50. I suppose it is true that many men between 40 and 50, or between even 30 and 40, who may become totally and permanently disabled would be, on a basis of merit, entitled to it just as well as those above 50. But since some arbitrary age must be fixed—and it has been fixed in this bill at 50—do you recommend or feel that we could lower it to 40 or any other age?

Mr. CRUIKSHANK. Senator, we feel that the age requirement, of itself, is not necessary. We do believe, however, that there should be provisions that require a long, substantial and recent attachment to the labor market. We do not feel that a disability program, a program providing this kind of protection, should make it possible for people to be out of the labor market and then come back and establish a connection with the social security system on a short term, and then be able to claim disability.

We think one of the safeguards should be a long attachment. That does not need to be tied to a definite age in our opinion. The Railroad Retirement Board does not require a definite age, but instead uses 20 years of service in the railroad industry. Therefore, if a man started at the age of, say 18, then at 38 he would be eligible. Age 60 or 20 years are alternatives.

Now, some such arrangement as that is feasible, as long as it guarantees a substantial and long-term attachment to the labor markets. We think that the guaranty could be made without stating a specific age. However, the bill names age 50.

We have looked at it and said that we think that is a practical way of getting disability protection started, and we support that provision in this bill.

Senator BARKLEY. You support the 50 age figure? Obviously, there should be some protection against a case where a man has been long detached from labor and then comes into it in order simply to qualify for a disability pension or compensation or whatever you call it.

Mr. CRUIKSHANK. Yes.

Senator BARKLEY. And do you recommend any particular length of time that he should be continuously employed in the labor field?

Mr. CRUIKSHANK. Well, the total ought to be 10 years, anyway, over a long period.

Senator GEORGE. Does the bill provide that?

Mr. CRUIKSHANK. It provides 10 years in addition to age 50, except that currently fewer years are required because of the recent substantial extension of coverage.

Senator BARKLEY. Does that mean continuous employment for 10 years without interruption, or does it take into consideration intermittent employment as may be caused by the shutdown of a plant?

Mr. CRUIKSHANK. It ought to make allowance for such intermittency in employment, Senator. Certainly we would not want to penalize a man for some interruption over which he had no control. So the bill as written provides that it is 5 of the last 10 years. And it provides also that he has to be fully and currently insured under the Social Security Act, which is a requirement for substantial attach-

ment to the labor market, and then has just the additional provision of age 50 which, as I say, we are willing to accept.

As I indicated in the statement, we do not think that additional protection to the system is necessary. But to start the program and get it underway, we are willing to accept that, because while there are people, to be sure, as you said, between 40 and 50, or even younger, who experience a permanent and total disability, the great bulk of them are at the later ages. You could get many of our disability cases after age 50.

Senator BARKLEY. It is not hard to visualize a situation where a man has been working for 10 or 15 or 20 years for one employer. But, supposing he is between 45 and 50, between 40 and 50, and the plant for which he has been working all these years folds up and goes out of business and closes permanently. He is out.

Well, at that age he finds it much more difficult to get a job with a new concern than it was to keep the one he had with the old concern, because a lot of people do not want to hire anyone who is 45 years old.

In cases of that sort, how much allowance do you give a man who is thrown out of work because his former employer quits business, and he is cruising around everywhere, trying to get a new job, and finds he does not get one for 6 months, maybe?

Mr. CRUIKSHANK. Well, under the Social Security Act, there is considerable allowance given to protect his retirement rights. He needs only a minimum of $50 a quarter. And then, in unemployment compensation, we attempt to provide for his need when he is laid off.

Senator BARKLEY. I know that, but I am speaking now of total dsiability. That might happen to him within a year after he finds a job. He may have been 6 months out of work, looking for one.

Mr. CRUIKSHANK. He would still be protected under the provision of this act. His disability would be protected provided he had the 5 out of 10 years in employment and was fully insured. He would also have to have 6 quarters out of the most recent 13. But if we made that any more liberal, Senator, then we would be in danger of having the intermittent worker getting disability protection, and we think other programs have to provide for underwriting of his earned income rather than this.

Senator BARKLEY. Do you think the intermittency of his employment or unemployment would be as difficult to determine as the disability itself?

Mr. CRUIKSHANK. Oh, no; the wage records are very clear.

Senator BARKLEY. That is all.

The CHAIRMAN. Any further questions?

Senator GEORGE. In other words, a man who is close to 45 years and who has been totally and permanently disabled, on merit, he should have, say, benefits of a given term at 50. But you are willing to go along with this 50 to get this experience and demonstrate how it can work out?

Mr. CRUIKSHANK. That is correct, sir.

Senator GEORGE. Of course, we all recognize there are some difficulties. I have long felt, myself, that a totally and permanently disabled person who has acquired the right to benefits ought to have consideration under the OASI.

That is all I have.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. I have just one thing, and that is on this 62-year ago, reducing it from 65 to 62 for women. We have had some testimony that in these private pension plans that have been written, they have been increasing the age in the last few years.

Is that correct, or what is your information?

Mr. CRUIKSHANK. I do not think many private plans have increased it beyond 65.

Senator CARLSON. No; but they have gone up from earlier plans from 60 to 65.

Mr. CRUIKSHANK. I think most of them have been 65. They have accepted 65 right along.

Senator BARKLEY. There was some testimony that some of them had gone from 60 up to 65 in view of the expansion of life, that we all recognize, in the last quarter of a century, and on the assumption that those people whose lives are extended are healthier in the later years than they would have been if there had not been any extension.

Mr. CRUIKSHANK. We believe, sir, that the retirement matter should be a matter of individual choice. We do not believe in a compulsory retirement system under a governmental program, to be sure.

What we feel this does is actually enhance the choice, particularly of the man who is 65 and whose wife is 2 or 3 years younger.

As it is now, he does not really have the choice until the time when the other third of the couple's retirement benefit is available. A third of the couple's retirement benefit is now attached to the wife's age of 65.

We also believe, of course, that the employed woman should have the choice of retiring at the age of 62 if she so desires. Now we do not think there is anything compulsory about this, and there should not be.

We also are interested in preventing people at the age of 65 from being automatically "turned out to grass." Many, many people have experience and abilities and skills which should not be sacrificed at that age.

As a matter of fact, as a part of the larger program that I introduced into the record, we want to pay an increment in improved benefits to those who work after the age of 65, rewarding them somewhat for the fact that they have not withdrawn their benefits and that they are continuing to pay the tax.

We hope that more useful employment can be found for people aged 65. But when they are faced with the loss of income resulting from their advanced age, then the benefits should be available to them, and should be available to the married couple—the full benefit.

That is why we feel that the age for women should be lowered.

Senator CARLSON. Your organizations, of course, deal with great numbers of workers who have private insurance pension plans, and that is the reason I brought it up, because I believe we do have testimony to that effect, and I was interested in whether we, as a government, should go contrary to what seems to be a trend, at least as submitted by testimony, to an increasing age in recent years on the new plans that are being written. That is the reason, because they are your people.

I mean, they are the same groups.

Mr. CRUIKSHANK. Oh, yes.

Well, if this were something that was compulsory or that required all the other plans to follow suit, then I think there would be more to the argument.

We know, of course, that the wonderful advances made in medical science and the study of geriatrics and all have extended life expectancy.

But the fact now is, as you know, that the average age of retirement of people under the social-security system is not 65, but closer to 68–69. So that, if that is the average, we know that many of them go on into the seventies keeping gainful employment.

Then we also have the problem of the widow, which is, I think, one of the most valuable parts of this program that Congress has enacted—the protection of the young mother in case of the death of the wage-earner.

But as you know, when the youngest child is 18, the family benefits now stop and there is a very difficult gap between that time and the time a woman is 65. She had withdrawn from the labor market to raise her family, and it is very difficult for her to go back, particularly between the ages of 60 and 65. It is very difficult for a woman who has been 20, 25 years out of the labor market, raising her family, to go back and get a job.

Now, we reduce that gap for the widow by 3 years in this bill. We would like to see it 5 years, but it is 3 years in this bill, and that is, I think, a very valuable thing to do.

Senator CARLSON. Of course, you do not draw the line between the widow, you just go across the board.

Mr. CRUIKSHANK. No. No, but it includes the widow, you see.

Senator CARLSON. That is all.

Senator BARKLEY. Is AFL–CIO the proper name of the new organization, or are you still shopping around for a good name?

Mr. CRUIKSHANK. Oh, no, Senator, we settled that.

Senator BARKLEY. I have a good suggestion about it.

Mr. CRUIKSHANK. I am afraid you are a little late with your suggestion, but we would always be glad to hear it.

Senator, Mr. Greene has the statement in behalf of the employees of the Tennessee Valley Authority. I do not think he means to read it, but he would like to make it a part of the record, with your permission, sir.

Senator BARKLEY. I suggest, Mr. Chairman, not only that, but the other statements that were referred to awhile ago be made a part of the record.

Mr. CRUIKSHANK. Are you referring to the letters of the doctors?

Senator BARKLEY. Yes.

Mr. CRUIKSHANK. Yes, sir. I would be very happy to make that a part of the record.

The CHAIRMAN. There being no objection, that may be done.

(The documents referred to are as follows:)

NATIONAL COMMITTEE ON THE AGING OF THE NATIONAL SOCIAL WELFARE ASSEMBLY

RETIREMENT PROGRAM OF THE COAT AND SUIT SECTION OF THE LADIES GARMENT INDUSTRY IN NEW YORK CITY

(By Leo Price, M. D., director, Union Health Center, New York City of the International Ladies Garment Workers Union)

The following is a preliminary synopsis of a description of a retirement program which has been in effect for only a few years. Since its inception the program has been extended considerably and produced many changes in viewpoint due to the experience gained.

A collective bargaining agreement in 1944 between the union and the manufacturers of ladies coats and suits provided for the establishment of a retirement plan. Under this agreement a retirement board was set up, composed of representatives of management, labor, and the public.

Money for retirement benefits was collected through employers' contributions of a definite percentage of their payrolls each week to the retirement fund. It took two years to accumulate sufficient funds to start the program, through which the first pensioner was retired in July 1946.

A limit had to be placed upon the number of persons who could be retired each year, since a definite sum must be held in trust to assure each pensioner the $65 monthly payment for the rest of his life. It was decided to accept applicants for retirement benefits in the order of the age of the applicant, the oldest persons being retired first. The minimum retirement age was set at 65.

In 1949 the experience of the program was reviewed and the board amended the rules to provide premature retirement of workers over 60 years of age who were totally and permanently disabled. A medical review board was organized to examine applicants for premature retirement to decide whether the disability presented was of a total and permanent character.

The medical director of the industry's Union Health Center was designated chairman of the medical review board, which was to be composed of three physicians.

The procedure established by the medical board to evaluate disability consists of a painstaking and thorough examination by one of the physicians on a selected panel. A physician on the medical review board also is present at the actual examination of the applicant for retirement. A urinalysis, complete blood count, sedimentation rate determination, serological examination, blood urea nitrogen test, large chest X-ray and electrocardiogram are done, as well as a routine examination of the eyes by an ophthalmologist. Any other specialist or diagnostic investigation found to be necessary to evaluate disability is also done.

A thorough working history and record of the applicant's performance in the industry is secured through the union office. During the examination considerable time is consumed by the physician in discussing with the applicant his reasons for retirement, his domestic environment, his earnings, his medical background. The record of past illness is supported by certificates from physicians who have treated him previously. His medical record at the Health Center is studied, if he has been a patient. His record of claims for benefits for temporary disability is particularly scrutinized.

After the examination and the receipt of diagnostic reports, the review board meets to examine the findings and data accumulated. The medical review board submits a written report to the retirement board, listing the diagnoses and clarifying them so that nonmedical members of the board can understand the medical terminology.

The written report concludes with one of the following statements: That in the opinion of the medical board, based on established criteria—

1. Total and permanent disability exists; or
2. Decision must be deferred for 3 to 6 months, pending further examination; or
3. Total and permanent disability does not exist.

The Union Health Center

Medical administration of the retirement program is only a small part of the medical work performed by the Union Health Center.

The Center was established by the union in 1913 after a United States Public Health Service health survey found a high incidence of turberculosis in the ladies' garment industry. The union's first concern was assistance to members with tuberculosis and protection of other workers from this disease through cleaning up the unsanitary sweatshop conditions prevalent in the industry 40 years ago. This was the first labor-management effort to improve environmental conditions in the factory.

It took only a few years to establish better working conditions and then the union turned its attention to aiding any member incapacitated by any illness, both through insurance to replace income lost during sickness and to provide needed medical service at low cost.

Gradually the medical service was expanded until today an average of 2,000 services are rendered daily to ambulant patients who are members of the union. About 200,000 persons in the Greater New York area have access to the service which is entirely paid for by employer-contributed health and welfare funds.

Almost 200 doctors are employed at the Center to render the services, assisted by an auxiliary staff of about 250. The Center also does medical administration of insurance for temporary and partial disability suffered by union members, through which it has accumulated almost 40 years' experience in evaluating disability.

Disability classification developed

The following three classifications of disability in the retirement program have been developed for the guidance of the medical review board which is to decide whether or not an applicant for retirement is totally and permanently disabled.

Class I: Totally and permanently disabled.—A medically demonstrable condition (based on consideration of adequate medical and related evidence) due to which any attempt of the individual to do any gainful work in his craft will endanger his life, prolong and aggravate medical abnormalities or endanger the welfare of his fellow workers.

Classification of an applicant in this group is based upon the unanimous opinion of the medical review board, such opinion being based upon unequivocal medical evidence.

Class II: Deferred.—A medically demonstrable condition (based upon consideration of adequate medical and related evidence) due to which any attempts of the individual to do gainful work in his craft would not seem to endanger his life in the immediate future or aggravate medical abnormalities, or endanger the welfare of fellow workers.

The applicant who is permanently but only partially disabled can be classified in this group, since it may not be possible to predict whether or not disability will progress. An additional examination at a later date must be performed to determine whether the applicant's condition has deteriorated.

Class III: Not totally and permanently disabled.—The following cases are included in this category:

1. A finding of total but temporary disability, based on consideration of adequate medical and related evidence.
2. A finding of partial disability, based on consideration of adequate medical and related evidence.
3. Conditions about which medical evidence is inadequate. That is, the evidence is not supported by adequate medical information because the worker is outside the New York City area, cannot be examined by physicians on the medical review board, and full diagnostic records with satisfactory and sufficient medical proof are not made available.
4. Workers who because of chronic invalidism have become unemployable, either because of unavailability of work or the absence of a will to work, not supported by demonstrable medical proof.
5. Those workers who have a number of subjective complaints which are supported by clinical opinions, none of which, or the sum total of which, does not produce total and permanent disability by demonstrable medical evidence, supported by diagnostic findings.
6. Where medical judgment, based on consideration of adequate medical and related evidence, concludes that disability cannot be demonstrated objectively and unequivocally.

In using these classifications, an applicant who had had a cancer of the breast removed by radical mastectomy and is found to have some contracture of the skin with edema which might ultimately disappear, would be placed in class II. Also an applicant who had suffered a single, or even a second attack of coronary

thrombosis, without decompensation and enlargement of the heart, would be placed in class II until reexamination demonstrated the progression of the condition.

A summary of the retirement experience

A total of 7,023 workers have retired since 1946 when the International Ladies Garment Workers' Union program went into effect. Between 1949 and June 1, 1954, 353 workers were retired on the grounds of total and permanent disability. Seventy-eight of these disabled workers died shortly after retirement.

The people who work in the coat and suit section of the ladies' garment industry in New York City are predominantly older aged men. The crafts represented are cutters, hand tailors, machine operators, pressers and finishers. Relatively few women, probably about 25 to 30 percent of the total working force, are employed on tailored coats and suits.

The percentage of women who apply for premature retirement is slightly higher than their proportion among the workers in this section of the industry. Eighty percent of the men applicants were found either totally and permanently disabled or else died before the physical examination could be done. Only 13 percent were found still physically able to continue work and the remaining 7 percent are being followed to determine whether or not their conditions are permanently disabling.

On the other hand, 62 percent of the women applicants were totally and permanently disabled and 30 percent were found physically able to perform the work of the industry. The remaining 8 percent either could not be reached for examination by a center physician or were deferred for further study.

Morbidity

Cardiac disabilities are by far the most common condition encountered among the workers totally and permanently disabled. Cerebral vascular accidents also account for total and permanent disability. Visual defects, which prevent close work, totally and permanently incapacitate workers in the needle trades. On the other hand, even severely crippling arthritis is not considered totally and permanently disabling for many crafts in the industry and many garment workers with arthritic disabilities are able to continue their employment.

BIOGRAPHICAL DATA ON LEO PRICE, M. D.

Dr. Price received an M. D. degree from Cornell in 1931. He is certified in occupational medicine.

Dr. Price is the director of the union health center of the International Ladies Garment Workers' Union, 275 Seventh Avenue, New York City.

The union health center provides medical service in general medicine and 20 different specialties as well as diagnostic examinations on an ambulatory basis to 150,000 members of the Garment Workers' Union in New York. A total of 654,000 services were rendered by the institution in 1955 through the services of 183 physicians on its staff.

The medical societies in which Dr. Price holds membership and the committees on which he serves are as follows: Medical Society of the State of New York; Medical Society of the County of New York (member, committee on voluntary health insurance); Industrial Medical Association (member, committee on medical care programs); American Medical Association (member, committee on medical care for industrial workers—member, commission on medical care plans); New York Academy of Medicine (committee on medical information); National Tuberculosis Association (director-at-large); New York Heart Association (chairman, committee on cardiovascular diseases in industry; member, subcommittee on labor and industry); American Heart Association (member, subcommittee on medico-legal insurance and industrial problems); American Public Health Association; also, United States Public Health Service, Department of Health, Education and Welfare (member, advisory committee to Bureau of Old-Age and Survivors Insurance).

Dr. Price is the author of many articles which have been published in medical and occupational journals.

STATEMENT OF LEO PRICE, M. D., DIRECTOR, UNION HEALTH CENTER, INTERNATIONAL LADIES GARMENT WORKERS' UNION

This statement is based on—

1. Experience gained from the medical administration of a retirement program in the garment industry for totally and permanently disabled workers aged 60 and over.

2. Experience gained from my work as a member of the Medical Advisory Committee to the Department of Health, Education, and Welfare, Social Security Administration, Bureau of Old-Age and Survivors Insurance, in developing criteria and standards for total and permanent disability to be used in the disability freeze, as included in the social security law amendment of 1954.

The proposed amendment to the social security law is social progress needed in our present industrial society to assist workers when they become totally and permanently disabled due to injury, accident or chronic illness. It is apparent that most workers do not accumulate sufficient resources to maintain themselves and their families when they are unable to work and earn a livelihood.

As director of the union health center of the International Ladies Garment Workers' Union, which gives ambulatory medical service to as many as 2,000 workers daily, one phase of my work is the medical administration of a retirement program for prematurely disabled workers.

Our experience since 1949 has shown that an equitable and efficient system for determining total and permanent disability can be developed on a sound medical basis. Criteria can be developed, and medical knowledge and experience are available, so that the presence or absence of total and permanent disability in an applicant can be successfully adjudicated.

The attached material records the experience gained in the past 6 years. A clear-cut philosophy and understanding has been developed in adjudicating 1,273 cases.

As a member of the Medical Advisory Committee to the Department of Health, Education, and Welfare which established criteria and standards for the medical administration of applications for the disability freeze clause of the 1954 social security amendment, it is my firm conviction that the basis for successful adjudication of disability has been instituted.

The unfortunate workers who become disabled prior to, or at the age of 50 are in great need of financial aid, as well as an opportunity to rehabilitate themselves if this is possible. This is a logical step in protecting wage earners from becoming dependent upon the community, which often has no resources to maintain them. It will restore many citizens to useful activity in industry.

These criteria and standards developed for the medical administration of the disability freeze were improved from the original draft and it is to be expected that further improvements will be made by the medical advisory committee as the applications continue and reflection is given to the many new problems which may be expected to arise from time to time.

These criteria should also be used in the administration of the section of the proposed amendment (H. R. 7225) which has to do with deciding total and permanent disability at the age of 50, instead of applying the freeze until the applicant reaches the age of 65.

This proposed amendment requires that all applicants must be subject to vocational rehabilitation. This is an excellent safeguard against abuses which might arise through applications from workers whose disability is equivocal and who prefer to receive a pension rather than attempt to work.

However, it is the responsibility of organized medicine to see that the supporting statements from the physicians throughout the country meet high standards of certification so that each case can be properly processed within the Department of Health, Education, and Welfare. Measures should also be developed which would prevent political influence from interfering with the proper operation of the program and scrupulous adherence to carefully worked out standards of disability.

Synopsis, disability evaluations from 1949 through 1955

	Evaluations	Total and permanent disability	Not total and permanent disability	Withdrew or unavailable	Deferred	Died before examination	Died after retirement
Joint board cloak	1,180	762	297	19	84	18	
Joint board dress	84	55	21	6	2		
Local 105	5	3	2				
Local 38	4	3	1				
Total	1,273	823	321	25	86	18	135

SIDNEY HILLMAN HEALTH CENTER,
New York, N. Y., February 9, 1956.

Mr. NELSON CRUIKSHANK,
Director, Social Insurance Activities,
AFL–CIO, Washington 1, D. C.

DEAR MR. CRUIKSHANK: In accordance with our conversation I am glad to provide you with the information regarding medical examinations for total and permanent disability.

Since April 1951 when we first started to perform these examinations for the amalgamated insurance fund, about 475 examinations have been performed by two board-certified specialists in internal medicine. They have of course available to assist them when necessary all the diagnostic procedures and consultants in other specialties. The results of these examinations have rarely been challenged and most of the reexaminations have sustained the original decisions. There is no question in our minds, and I may say, in general in the medical profession, that examinations for total and permanent disability are feasible and can be upheld medically and legally.

It must be remembered as in all branches of medicine, that there is room for differences of opinion, but by and large there reaches a point when physicians will agree that patients with certain disabilities can be declared as having or not having a total and permanent disability.

Very truly yours,

MORRIS BRAND, M. D.,
Medical Director.

HEALTH INSURANCE PLAN OF GREATER NEW YORK,
New York, N. Y., February 9, 1956.

Mr. NELSON CRUIKSHANK,
Director, Social Insurance Activities, American Federation of Labor,
Washington 1, D. C.

DEAR MR. CRUIKSHANK: In reply to your inquiry as to whether or not physicians can and should make medical examinations and render opinions concerning total disability of beneficiaries under the Social Security Act, I must express surprise that there is any doubt about this. Physicians who are providing medical care to disabled persons have firsthand knowledge of the nature and severity of the condition responsible for the disability and are in a position to determine whether the disability is total and permanent.

Physicians submit such opinions to private insurance companies and to workmen's compensation boards. An honest physician will refuse to make a statement that a patient is totally disabled if the statement is false, even though the refusal may lose him the good will of the patient and the associated remuneration.

Sincerely yours,

GEORGE BAEHR, M. D.

STATEMENT OF JOHN M. GREENE, FOR THE TENNESSEE VALLEY TRADES AND LABOR COUNCIL

I am John M. Greene, an international representative of the International Union of Operating Engineers. I live in Chattanooga and work throughout the

Tennessee Valley area. Today I am the delegated spokesman of the Tennessee Valley Trades and Labor Council, on which I represent my international union.

The Tennessee Valley Trades and Labor Council represents the 10,000 so-called trades and labor employees of the Tennessee Valley Authority. These employees are members of seventy-odd local unions affiliated with 15 international unions of the AFL–CIO. These 10,000 employees are about equally divided between 2 major groups: 1 group is made up of temporary construction workers; the other group is of regular or permanent operating and maintenance workers. The construction employees of TVA already have old-age and survivors insurance coverage under the Social Security Act. The Tennessee Valley Trades and Labor Council is now asking that the Social Security Act be amended so as to grant that same coverage to the operating and maintenance employees of TVA. These employees are now excluded because they are members of the retirement system of TVA. Bill H. R. 7225, which you are now considering, has in it a provision which would remove that exclusion. The people whom I represent want that to be done.

Employees for whom I am speaking today are chiefly those engaged in operating and maintaining TVA's power system and chemical plants. The record will disclose that in a great many cases these employees come to TVA from industries where they have had the protection of old-age and survivors' insurance. Many of them return to such industries. Alternation between employment by TVA and in private industry is very common. A great many of the TVA's operating and maintenance employees are selected also from the TVA construction forces which now have old-age and survivors' insurance coverage. Whether they come from private industry or from TVA's construction forces, whenever they accept employment as operating and maintenance employees they cease to have old-age and survivors' insurance coverage. The benefits they may have achieved under old-age and survivors' insurance are either forfeited or decreased by accepting employment which is not covered by social security.

We believe that for social security to do the job Congress intended for the workers of America, the coverage should be continuous while they work and should enable them to build up the best benefits their scale of earnings will provide. This continuous coverage will also enable them to contribute steadily to the cost of this insured pension for their own old age which they are glad to do. This coverage is very important to workers whose earnings do not enable them to save and invest enough to provide for their later years at the same time they are trying to provide a decent standard of living for their families.

We believe that the social security benefits should provide a minimum basic protection for all workers and that the credits toward these benefits should go with them wherever they work. This minimum protection should not be denied a worker or decreased because he works for TVA a part of his working years.

I referred to the fact that these operating and maintenance employees are now excluded from old-age and survivors' insurance coverage because they are members of the TVA retirement system. Section 104 of bill H. R. 7225 which you are now considering, amends the Social Security Act by removing this exclusion. We want this committee to recommend that that exclusion be removed.

The TVA retirement system was established in 1939. It was established because TVA employees were not covered by the Civil Service retirement system. The regular operating and maintenance employees, as well as all technical, clerical, and administrative employees—that is, all nontemporary employees—are members of that system. Membership in the system is a condition of employment. It is a good system and the employees like it but they don't think being in that system ought to deny them coverage by the broad social security program. In general, organized labor believes, and I think Congress believes, that workers should have the protection and get the benefits provided by the broad social security program and also get such additional benefits as employees and employers jointly agree on to supplement the old-age and survivors' insurance benefits. That is the way it works in private industry. The law requires employers and employees to contribute to provide the social security coverage. This provides basic minimum old-age protection. But additional pensions are recognized today as an important subject for collective bargaining. No objection is raised and their social security benefits are not taken from them if those same employers and their employees agree to additional pension benefits. That is the general practice and the accepted pattern today.

Congress need have no fear that it would be making TVA provide too generously for the old age of its employees if they were covered by old-age and survivors' insurance in addition to the retirement system. Both TVA and those who administer the TVA retirement system are conscious of and have

carefully considered the economic costs and the comparative benefits. The TVA retirement system provides a retirement benefit of about half pay after 33 years, work with TVA at age 60. About half of this benefit is provided by TVA and about half by what the employees pay in to the retirement system. The maximum pension that can be provided by TVA's payments into the system is 40 percent of an employee's average salary. The retirement system is managed by a seven-men board of directors. Three of the directors are appointed by TVA; 3 are members of the system elected by members of the system; and the seventh is elected by those 6. I am not a member of that board and I am not eligible to be a member since I am not an employee of TVA. But I am informed that the board already has prepared a preliminary plan and proposes to modify the retirement system benefits and make a reduction in the pension, provided by TVA money, for each year after the Congress sees fit to extend old-age and survivors' insurance coverage to its members. This will avoid pyramiding these total benefits on top of each other for the same years of service, and the combined benefits will not cost TVA or the employees any more than it does now until the old-age and survivors' insurance tax rate goes above the present 2 percent. When the OASI tax rate is increased the cost will go up equally for TVA and its employees just as is the case in all other covered employment.

I am sorry I do not know more about the detailed operations and benefits of the TVA retirement system and how it is proposed that the benefits of that system will be coordinated with old-age and survivors' insurance. I am sure the committee has or can secure any information they may desire along this line from representatives of TVA.

The combination of old-age and survivors' insurance and the altered TVA retirement system benefits will give total pension benefits a little better than the retirement system alone can now provide for the long-service employee; the workers who are now advanced in years will receive a greater increase in their retirement benefit at age 65 than the younger workers. This has been true of all older workers covered by old-age and survivors' insurance shortly before they reach that magical age. This is not a fault but is an essential part in launching a program of social insurance.

But even this greater increase will give only a modest retirement benefit to those older employees who can have had relatively few years of creditable service under the TVA retirement system since TVA is only 22 years old. Most of them have much less service than 22 years. This makes it even more important for TVA to be covered by social security than if those older workers had worked all their work years under this retirement system.

TVA employees want that modest increase in the retirement benefit they will receive in their old age. But they want social security coverage even more for the protection afforded by the survivors' insurance feature. Like other men, the workers I represent accumulate family responsibilities while they are young in life. Unlike some other men, they do not have much chance to start with or to accumulate much of an estate while their family responsibilities are heaviest. Therefore, these workers who are young husbands and fathers are particularly eager for the protection the survivors' insurance provides for their loved ones. We hope very much that the committtee and the Senate will pass a bill granting this coverage to the members of the TVA retirement system who are now excluded.

Pension benefits have become an essential and accepted part of our industrial economy. We believe they are a stabilizing influence in our economy as well as a preventive of individual human misery. We believe that the basic benefits of social security should become the right of all those who work. Through it they can contribute to the comfort of their older years and not become objects of charity. We believe credits toward these benefits should and must be retained by workers wherever they are employed if the program is to be effective.

The employees whom I represent want this coverage very much and they want it this year. They would like also to have a new starting date or a longer dropout period, long enough to heal the 5 or 6 years they will have been denied this coverage since the last starting date of January 1, 1951. Otherwise, those who are now over 60 years old cannot achieve the pension benefits of such coverage when they retire. There are more than 500 TVA employees in this age bracket.

Coverage for TVA employees similar to that embodied in bill H. R. 7225 was also included in the 1954 amendments to the Social Security Act which were passed by the House. This committee took that coverage out of those amendments.

This was possibly due to the rush of the concluding days of that session of Congress, or thinking it would pyramid the total benefits, or maybe because you didn't know these employees wanted this coverage and were willing to pay for it. We hope these were the reasons. We do not know of any reasonable objections to the coverage. The Kaplan committee, which presented its report to Congress on social security and Federal retirement systems, recommended the coverage as proposed in H. R. 7225 after a thorough study of the problem and of TVA's retirement system. I hope this committee will recommend the coverage of TVA employees provided by bill H. R. 7225 as passed by the House, or take whatever other steps might be necessary in order to grant these employees coverage as requested. They want it and are willing to pay for it by decreased benefits from their retirement system and by the old-age and survivors insurance tax. They feel they have the same right to it as other workers.

I am grateful for the opportunity to present this statement to this committee and earnestly request that it be given the favorable consideration I sincerely believe it deserves.

Mr. CRUIKSHANK. Thank you very much, Mr. Chairman, and members of the committee.

The CHAIRMAN. The next witness is Judge Thomas Waxter of the National Association of Social Workers.

Will you proceed, sir?

STATEMENT OF JUDGE THOMAS J. S. WAXTER, NATIONAL ASSOCIATION OF SOCIAL WORKERS

Mr. WAXTER. I am Thomas J. S. Waxter, representing the board of the National Association of Social Workers. The National Association of Social Workers, which was established October 1, 1955, brings together into one organization the professionally oriented associations in social welfare. It represents a merger of seven membership organizations—the American Asssociation of Group Workers, the American Association of Medical Social Workers, the American Association of Psychiatric Social Workers, the American Association of Social Workers, the Association for the Study of Community Organization, the National Association of School Social Workers, and the Social Work Research Group.

We have about 24,000 to 25,000 members. We are filing a statement with the committee and I should just like to make a few remarks ad lib, rather than reading the statement, because I think there is little that we have to do except to underscore what Mr. Cruikshank has said, however, not only going on record in favor of disability insurance, but we feel that the thousands of us throughout America have a very special window in looking at people who have special needs.

(The complete statement of Thomas J. S. Waxter is as follows:)

STATEMENT OF THOMAS J. S. WAXTER, NATIONAL ASSOCIATION OF SOCIAL WORKERS

I am Thomas J. S. Waxter, representing the board of the National Association of Social Workers. The National Association of Social Workers, which was established October 1, 1955, brings together into one organization the professionally oriented associations in social welfare. It represents a merger of seven membership organizations, the American Association of Group Workers, the American Association of Medical Social Workers, the American Association of Psychiatric Social Workers, the American Association of Social Workers, the Association for the Study of Community Organization, the National Association of School Social Workers, and the Social Work Research Group. The National Association of Social Workers is to the profession of social work what the American Medical Association is to the profession of medicine.

Because of the recentness of the establishment of the National Association of Social Workers, the views which I express are those of the board of directors.

There has not yet been opportunity to obtain an expression of opinion from the membership. Our first delegate assembly or national convention will take place in May. To cover the interregnum between date of establishment and our first delegate assembly, the board at its November meeting adopted an interim statement on immediate Federal legislative objectives. With respect to the proposed legislation before this committee, the board stated:

"*Social insurance.*—We believe that contributory social insurance offers the best means to prevent economic need due to the predictable hazards of individual life under a modern industrial organization. We further believe that the present systems of old-age and survivors insurance and unemployment compensation should cover all working people against all such predictable hazards and that the level and range of their benefits should rise as does the total productivity of the Nation.

"*Recommendation.*—We favor as logical next steps in meeting this objective the following:

"1. The extension of OASI benefits to insured individuals who become permanently and totally disabled before the age of 65 years and extension of dependency benefits beyond 18 years of age for disabled dependents of beneficiaries.

"2. Reduction in the age at which women workers, dependent wives, and widowed survivors become eligible for OASI benefits, together with provisions to encourage, through premium benefits or other devices, deferred retirement for all workers insured under OASI."

From the foregoing, it will be evident that the National Association of Social Workers endorses the provisions of H. R. 7225 as it is now before your committee. Specifically, the association endorses—

1. Inclusion of permanent and total disability within the old age and survivors insurance system;
2. Continuation of monthly benefits to permanently and totally disabled children after age 18;
3. Extension of coverage to those not yet within OASI; and
4. Lowering the retirement age for women from age 65 to 62.

We would like to focus our testimony, however, on the first of these items, the inclusion of permanent and total disability within the OASI system.

We believe this committee is in a position to make a very great contribution to the social development of the American people if, in its report to the Senate, it recommends adoption of permanent and total disability. We believe this for several reasons.

DISABILITY, A MAJOR CAUSE OF DEPENDENCY

Disability is a major cause of dependency. It is a major cause of dependency not only because it removes a person from his earning capacity but because additional medical-care expenses are typically involved. Disability may be "temporary" or it may be "permanent and total." The dividing line is length of duration, which is customarily arbitrarily taken to be 6 months.

Needless to say, on any single day, there are many times the persons out of employment because of temporary disability than out because of permanent and total disability. For this reason, some persons have held temporary disability to be the more serious social problem. We do not agree. We believe Congress is right in focusing its attention on permanent and total disability because typically this is an overwhelming experience to a family. The number of persons involved are far fewer, but continued absence from the job market represents a far more serious problem. Aware of the consequences of permanent and total disability to the breadwinner of a family, the Congress in 1950 added this category to the public assistance program. Roughly, a quarter of a million persons are being helped by this program. This number does not fully state the magnitude of the problem, however, because many families are on ADC because of the disability of the father. The general assistance programs in which there is no Federal participation include many disability cases.

FROM THE POINT OF VIEW OF THE RECIPIENT, INSURANCE PREFERABLE TO ASSISTANCE

In the testimony before your committee, you have been urged to put reliance on vocational rehabilitation. If there were a choice in the matter, I am sure that all of us seated in this room—equally I am sure that all disabled persons—would prefer to place reliance on vocational rehabilitation rather than on a disability program, whether it be assistance or insurance. However, we only delude ourselves if we think, in our present state of medical knowledge and with the

present attitudes toward employment of older persons, that vocational rehabilitation represents the answer. With persons under 50, more and more can be done through this channel. For older persons, only very limited help is available. Older persons who are well have difficulty in getting employment in the labor market. How much more difficult, frequently how impossible, it is for older persons suffering one of the degenerative diseases, which medicine does not yet know how to cure, or even necessarily arrest, to find employment. Do we want to insist that help can be given such persons only through assistance, that is, only by using up their entire family resources so as to be able to pass a means test?

From comments made by members of this committee on the floor during past debates on social-security legislation, we know that you, no more than we, like to see a means test required for determining eligibility under public assistance. Yet, to date, no better legislative method has been devised. Passing a means test implies that family resources have been exhausted. It seems strange to us that witnesses before this committee have urged that obliging a person to become wholly dependent on assistance is less a blow to his will to recovery than allowing him to receive a cash disability benefit under a contributory insurance system.

Members of the medical profession have testified to the importance of the will in recovery. I am sure there is no difference of view among us that the will is vitally important. Where a difference of view lies is whether cash disability benefits would encourage or depress the patient more than a means test, for this is actually the alternative in the majority of older cases. In the judgment of our association, cash disability benefits would be an important psychological aid. We note that this is a view shared by the distinguished advisory council which was set up by this committee in 1948 when this same subject was before you for consideration. As you know, the council observed: "The protection of the material and spiritual resources of the disabled worker is an important part of preserving his will to work and plays a positive role in his rehabilitation." We have also been interested to see that this was the view earlier held by our medical colleagues. Our medical friends have not always been of the opinion that cash disability benefits would discourage. In earlier house of delegate resolutions, the AMA stated that compensation for loss of wages during sickness "has a distinct influence toward recovery" and that disability measures "are of vital importance" in medical problems arising from chronic illness. We believe that our medical colleagues were more perceptive in their earlier resolutions than in their present ones.

FROM THE POINT OF VIEW OF GOVERNMENT FINANCING, INSURANCE HAS ADVANTAGES OVER ASSISTANCE.

Not only from the point of view of the person suffering disability, but from the point of view of Government financing, would there appear to be marked advantages in providing for this problem through social insurance. At the present time, close to $200 million is being expended on the permanent and total assistance program. Costs for fiscal 1956 are estimated to be $185,000,000; for 1957, $190,400,000. For 1956, the Federal share of these costs is $84 million for assistance on grants and $18,000,000 for assistance on administration, making a total of $102,000,000. For fiscal 1957, the Federal share is estimated at $82,500,000 for assistance or grants and $19,400,000 for assistance on administration, making a total of $101,900,000. This is the cost of permanent and total disability assistance. It does not include that portion of the ADC program which results from the disability of the father, a not inconsequential proportion. It does not include that portion of general assistance which arises out of general disability. This also is sizable. Apart from the advantages to the recipient in receiving aid as a "benefit" rather than as "assistance," it would seem to our association that this committee should look with favor upon transferring a very sizable proportion of this program to contributory insurance.

There are those who have argued before this committee that the costs on the insurance system would be excessive. Let us say that what stands out in our mind is that the groups which are most vigorously arguing this position are groups which are not in the OASI system. Workers who are within OASI are not complaining over costs. Labor is urging your favorable consideration of the measure. We believe that OASI beneficiaries are willing to pay for this protection. Expert actuaries have presented their estimates to you.

HISTORICAL EXPERIENCE WITH DISABILITY INSURANCE

This committee has repeatedly been told that disability insurance is a new proposal, that we therefore need to move very slowly and very cautiously, that, in fact, it really should be studied further before any steps are taken. In contrast to the tenor of this testimony, what are the facts about disability insurance? Programs of disability insurance have been operated by the Federal Government since the first Congress of the United States. Veterans' disability protection dates from September 29, 1789. The Civil Service Commission has since 1920, provided insurance protection against disabling illness or accident to all employees of the Federal Government other than those in temporary status. The railroad retirement program has provided comprehensive disability since 1946. States have been operating programs since before World War I. Cities have been operating disability programs since before the Civil War. The first municipal program dates from 1857 in New York City, which provided disability and death benefits for policemen. In 1947 (we do not have the data on the last decade), there were some 1,700 State and local retirement systems in effect in the United States, of which it was estimated that 70 percent provided for disability which was nonwork connected. There is, therefore, a wealth of experience from which to draw.

In addition to the foregoing, since last year, the provisions of the disability freeze have been operating within OSAI. The disability freeze requires a medical determination; it requires administrative determination of "substantial gainful employment." From discussions with persons administering this program, we gain the very clear impression that it is working well, that while there have naturally been problems to work out, as would be the case in any new program, that these have been merely of the "standard operating" variety.

If we look abroad, we find that foreign countries have been operating insurance programs for many years. As of January 1954, the only major established countries which were not operating disability insurance were Canada, Israel, Switzerland, and the United States. Great Britain adopted disability insurance in 1911, France in 1910, Denmark in 1891. In looking at these systems, that which stands out is that for the most part disability was adopted as an integral part of social insurance.

The bill which is before this committee has been drawn with great conservatism and caution, needless to say with greater conservatism and caution than we might have desired. It does not address itself to all persons suffering permanent and total disability, only to those age 50 and above. The disabled person must have had a very considerable work record. There must be a medical finding that the disability prevents substantial gainful employment and is likely to result in death or be of long, continued duration. There must be a 6-month waiting period. There are no benefits for dependents. If the person is eligible for another Federal benefit or a benefit under a workmen's compensation program, his OASI disability benefit is canceled if it is smaller than the other benefit, or, if larger, it is reduced by the amount of the other benefit. Anyone who, without good cause, refuses vocational rehabilitation is denied benefits. On the other hand, affirmatively to encourage rehabilitation, benefits are continued during the first 12 months of employment after rehabilitation. Under the provisions of the bill it is estimated that average disability payments would amount to 30 to 40 percent of income.

In our view, these provisions reflect an extraordinary effort to take into consideration the objectives of those who are reluctant to press ahead on this problem. To argue that we should be very hesitant about assisting a disability program to OASI is, in our judgment, tantamount to arguing that while the Veterans' Administration is capable of operating a disability program (a far more difficult one we may point out for it involves determining degrees of disability), while the Civil Service Commission is capable of operating a disability program, while the Railroad Retirement Board is capable of operating disability, OASI alone among the Federal agencies is not capable. Given the outstanding and imaginative leadership which has, from the inception, characterized the OASI program, this appears to us to be somewhat peculiar logic.

By their recommendations on this bill, the members of this committee are in a position to make a most important contribution to the welfare of this country. H. R. 7225 has passed the House; decision is with the Senate. This committee has the opportunity of enabling permanently and totally disabled persons to meet their situation through insurance rather than solely by a means test. It is the earnest hope of our association that the committee will favorably recommend the disability provisions of the bill.

Mr. WAXTER. I go around my State and I guess it would be the same as any State in the Union; I visit each week a cross-section of people who are receiving public assistance. And there are people in our State, as there are in every State in America, who are getting aid to the partially and totally disabled, disabled fathers that are getting ADC, people on general relief, people receiving aid to the blind, who would qualify for disability insurance. And when you see him, you go in and talk to individuals in this age group who are disabled, who are living on relief, the necessity for really expanding OASI to provide not only for old age and survivorship, but to get perhaps the greatest risk of all becomes evident.

For most people, they are better off dead so far as their wives and children are concerned than to be totally and permanently disabled and still with them.

In a sense, it is a much greater hazard. It is certainly a more difficult situation for the wife and for the children than if the individual had died.

And it seems to us a logical and necessary expansion, and we believe that in starting it off, that to start it, if the Congress does it, at 50, it may be a very healthy thing to do for this reason.

First of all, we have got to get some experience in how to handle the administrative difficulties that are involved. Secondly, a point could be made to the fact for the fellow who is over 50, that his chances of rehabilitation, the chances of getting him back into the labor market, are probably not as good as they are with the younger group.

So that we think that 50 is a good point to strike.

We believe also that we have experience in administering APTD aid to the permanently disabled that shows with that and with the experience that the Department has had with the disability freeze, that it can be administered.

Of course, there will be all kinds of bugs in its administration, but we believe that those difficulties are minor in terms of what can be done.

When we first started in 1950 with aid to the totally and permanently disabled, we thought we would have a tremendous amount of difficulty in administering that program. The way in which it is administered, by having the doctors in the community make the prognosis and then have that prognosis viewed by what we in social work call a team, a doctor and a social worker and a person from rehabilitation, and then check at necessary intervals; we think that out of that has grown a method, that, with the experience with the disability freeze, will make this administratively quite possible.

We believe, too, that the average person who is disabled at 50, who is on the freeze now and waiting to become 65, that to force him during the interval to go down to the public-assistance office, the welfare department, the place that he associates with complete dependency or with relief, and to force him, after he has exhausted his funds for medical care because of not working, with a family, and with a disabling disease, is a pretty bad partnership.

Those three things together, and to force him to go on relief, and simply to freeze him, and tell him that when 6 or 7 years later, when he becomes 65, that he is going to get some benefits from the payments that have been made into OASI for his benefit, seems to me to be a pretty cruel situation.

And, really, when you see these people and visit them, it would be a denial of commonsense to have the Nation concerned with age and the man 65 can elect to leave a job and go on OASI, where the man 64 who is completely disabled has nothing to protect him, and where the hazards to him and to his family is even greater than old age, seems to me to justify expanding to cover the other risk.

Now, that is about all we have to contribute.

We have written a document which we think is a pretty fair document setting forth the case as we see it in terms of expanding for disability insurance, but my reading it would be redundant, and it isn't as good a document as they read by Mr. Cruikshank who came before me.

The CHAIRMAN. Thank you, Judge, very much.

Any questions?

Senator BARKLEY. Is your welfare department in Maryland under a merit system?

Mr. WAXTER. Yes, it is, Senator. It has been since 1935. We have not had any difficulty with that in Maryland.

I think it is in most States. I think there is some provision to administer the provisions of public assistance that you have to have a merit system.

The CHAIRMAN. Thank you, sir.

The next witness is Miss Louise Stitt of the National Consumers League.

Will you take a seat and proceed?

STATEMENT OF LOUISE STITT, NATIONAL CONSUMERS LEAGUE

Miss STITT. Mr. Chairman and members of the committee, I am Louise Stitt and I am a member of the board of the National Consumers League and therefore am giving this testimony this morning.

NATIONAL CONSUMERS LEAGUE SUPPORT OF SOCIAL INSURANCE

The National Consumers League (for Fair Labor Standards) for more than 50 years has advocated social insurance, not only as a partial remedy for the economic ills of individual workers, but as a major factor in maintaining a stable national economy.

As we quickly review the progress of the past half century, it is with more than mild satisfaction that we note that every State in the Union has adopted workmen's compensation and unemployment compensation legislation, that 9 out of 10 working Americans and their families today are insured against wage loss due to old age and death by the Federal old-age and survivors insurance law.

We come before this committee, therefore, in a spirit of great optimism as we testify in favor of extending the benefits of our social-security program to those persons who have lost their earning power through some physical or mental illness or accident. Progress of the past has given us great hope for the future.

FEDERAL EXPERIENCE WITH DISABILITY PAYMENTS

The hazard of losing one's livelihood because of non-work-connected disabilities is the last major economic risk against which the American

workman remains unprotected by social insurance. The reason for postponing protection against this cause of wage loss in the past is understandable, although further postponement, we believe, is indefensible.

In 1935 we inaugurated our old-age insurance program—a tremendous undertaking for a Government which had had almost no experience in the field of social insurance. To build soundly, it was agreed we should move slowly. We now have had more than 20 years experience in perfecting our old-age and survivors insurance law and in developing techniques for administering it. The result is a superb system, soundly and intelligently administered, an achievement of which every American citizen may justly be proud. We are ready now to move forward.

Advocates of disability insurance have realized that inherent in the administration of this type of insurance are difficulties not present in the administration of insurance against old age. It is no doubt more difficult to determine bona fide disability than to determine that a worker has reached age 65.

However, experience has proved that this obstacle is by no means insuperable. Ten years of successful operation of a disability insurance program by the Federal Railroad Retirement Board, an even longer experience with similar legal provisions by the Veterans' Administration, and administration since 1950 of disability payments under public-assistance programs have demonstrated that not only can disability be satisfactorily defined but its presence is being successfully determined under all these laws for the purpose of making benefit payments.

THE DISABILITY "FREEZE"

Probably the best possible apprenticeship training for the administration of a universal disability insurance program was provided by the Congress in 1954, when it adopted the so-called disability freeze amendment to the Social Security Act. This amendment, as you very well know, operates to increase the OASI benefits for those workers who suffer an extended interruption of their work experience because of disabling illness or accidents. When the Government has determined the existence of such a disability, the worker's earnings record is frozen, and the period of disability is not counted in computing his average earnings on which the amount of his OASI benefits is based.

My organization has watched, with the greatest interest, the progress being made under this new law. Our concern has been with the significance of the freeze program for a Federal disability-insurance program. Operations to date have been most encouraging. The care and intelligence, which have marked the development of all new programs by the Social Security Administration, were exercised in preparing for the effective day—July 1, 1955—of the disability freeze. It was recognized that success in determining disability was the key to efficient administration of this important new measure.

In approaching this problem, the OASI Administration has not only utilized the accumulated experience of such agencies and the Office of Vocational Rehabilitation, and State public welfare departments, the Veterans' Administration, the United States Public Health Services, and the Railroad Retirement Board, but a medical advisory

committee, consisting of some of the most outstanding authorities in a variety of specialized fields of medical practice, of public and private medical administration, and social welfare services was appointed to assist in developing pertinent medical standards and policies.

This advisory committee has considered the proposed standards defining the criteria for interpretation and application of the definition in the law of disability, and that definition Mr. Cruikshank read in his testimony.

It has also reviewed the administrative plans developed by OASI, including forms, procedures, and policies of special medical interest. As the law provides for cooperation in administration with certain State agencies designated by State governors, standards and guides for these agencies have been developed to insure equal treatment of all disabled persons throughout the United States.

We have had the privilege of sitting in on conferences between Federal and State administrators where operations under this new law and the implementing regulations have been discussed, and we are convinced that what is currently being developed will provide a sound foundation for the broader disability program which we are here this morning to support.

SUPPORT OF H. R. 7225

The National Consumers League supports the disability insurance provisions of H. R. 7225 in the form in which they were overwhelmingly approved on July 18, 1955, by the House of Representatives.

We are pleased that the bill is so drafted that the payment of insurance benefits for disability would become, for all practical purposes, an extension of the old-age and survivors insurance system, and not a separate program, separately operated by a new agency. The circumstances relating to wage loss due to disability and to old age are so similar in nature and the methods of administration in both cases so nearly identical that coordination of the two programs seems to us altogether proper and economical.

The application of the same schedule of benefits to beneficiaries of OASI and disability insurance we also accept as reasonable and desirable. We believe, of course, that to the extent necessary to meet the costs of benefit payments to disabled workers and to maintain the actuarial soundness of the OASI trust fund, social security taxes should be increased as is provided for in H. R. 7225.

We heartily approve of the relation that would be established by the bill between eligibility for disability benefits and willingness to accept vocational rehabilitation when such training is found to be feasible.

We note that H. R. 7225 provides for the creation of an advisory council on social security financing. It is the hope of the National Consumers League that among the subjects that may be studied by this council, during the course of its operations, will be the practicability of ultimately protecting all disabled workers, irrespective of age, by disability insurance, and the advisability of paying benefits to dependents of disabled workers, as dependents of retired workers now are paid under OASI. We feel, too, that much more study should be given, than has been given so far, to the proposal that temporary disability, as well as permanent disability insurance, be included in our Federal social-security system.

In 1948 the advisory council on social security to this Finance Committee of the Senate made an excellent report on its study of the evils of permanent disability and possible remedies for them. Many of the provisions of H. R. 7225 may be traced to the recommendations of that council.

An equally thorough study, made by the advisory council, for which this bill provides, of the economic and social consequences of temporary disability and of methods of dealing with this hazard might also lead to a sound legislative program.

In suggesting these studies, we are aware that it was, no doubt, with just such studies in mind that Congress has proposed the establishment of an advisory council on social security financing. The creation of such a council the National Consumers League would welcome, because of the information with which its investigations and studies could provide us all in our search for effective and intelligent solutions of the problems involved.

We do ask that favorable consideration be given to this bill by this committee.

Thank you.

The CHAIRMAN. Any questions?

Senator GEORGE. Miss Stitt, did the National Consumers League take any position on the provision lowering the age of retirement for women from 65 to 62?

Miss STITT. Senator George, we approve all of this bill. We felt that our time before you was limited so we decided to devote our entire testimony to disability insurance which is our major concern. I might have added, however, that we support the reduction in age for women, the extension of coverage, and the extension of benefits to disabled children beyond the age of 18.

Senator GEORGE. Thank you. I did not know whether your omission had any significance.

Miss STITT. It really doesn't, except that disability insurance is our main interest.

Senator BARKLEY. How many members of the National Consumers League do you have?

Miss STITT. We have members in every State of the Union, but I couldn't give you an exact number. We have been in existence for 50 years.

You probably know about Florence Kelly, who was the founder.

We began our interest in the welfare of workers as consumers. Florence Kelly, you may remember, advised that we as consumers not buy goods made in sweatshops, not buy goods that were made by workers who were paid less than living wages, or goods made by child labor. These efforts to improve working conditions led us to the field of labor legislation.

Senator BARKLEY. That is all.

Miss STITT. Thank you.

The CHAIRMAN. Our next witness is Mr. Floyd Dover, of the Oregon Institute of Social Welfare.

Will you take a seat, sir, and proceed?

STATEMENT OF FLOYD K. DOVER, OREGON INSTITUTE OF SOCIAL WELFARE

Mr. DOVER. My name is Floyd K. Dover, of Portland, Oreg., State president of the Oregon Institute of Social Welfare, and district president of the Northwest Institute of Social Welfare, comprising the States of Oregon and Washington, with headquarters of the district located at 508 Davis Building, Portland, Oreg.

I represent 2,100 members of the combined institutes of the 2 States. Six years ago the Oregon Institute of Social Welfare was incorporated as a service organization to the needy elderly, handicapped, and blind, and 4 years ago the Washington Institute of Social Welfare came into being for a like service. In this capacity we serve on the same basis as the veterans' organizations serve the veterans in assisting them to obtain their rightful benefits under the laws and regulations.

In the past 5 years through the Portland headquarters we have given service and counseling to 24,065 people who were subjected to the State and county public welfare system. Eighty percent of this number, or 19,252, were 65 years or over. All the 24,065 people complained that they did not have enough food nor clothing, and not enough money to purchase them: that they could not have any medical care or medicine unless they went to the county clinic, which the old folks deeply resented. In every case—except on rare occasions—they were attended by student doctors and required to report early in the morning and sit there all day, and in many instances told to return the next day only to have the same thing repeated. This cost the old folks an additional sum for bus fare which they were obliged to take out of their own meager allowance.

In their own report of January 27, 1956, the State public welfare in Oregon states:

> Grants to 19,068 needy aged in December 1955 averaged $65.50 * * * $70.40 was expended for the total needs of the needy aged this December 1955.

This included shelter. The $70.40 average includes shelter and those confined in rest homes.

The remaining 20 percent, or 4,813 cases, were between 50 and 65 years of age and were under the general-assistance category. These were all handicapped and disabled in some degree. Industry would not employ them because they preferred younger and physically fit people. It is the women in this case—and mostly widows—who suffer most under the Oregon public-welfare system. The State president of the Washington Institute of Social Welfare reports the same conditions exist there. In Oregon, it is almost downright starvation for these people and especially so in the Portland area.

From the report of the public welfare in Oregon, January 27, 1956, general-assistance expenditures in December 1955 for 3,830 of the cases provided food, clothing, and shelter, averaged $55.55. Housing in Portland, Oreg., even in the slum areas, runs $30 to $40 monthly. After paying rent there is very little left for food and clothing. General-assistance cases are required by regulations of the public welfare to cash in any and all insurance policies with a cash surrender value, also bonds, and in most cases, automobiles are asked to be sold before any assistance is rendered.

We feel this is strictly un-American and definitely destroys the morale of these already helpless people. How can these people help tthemselves when they have nothing to start with, should they become rehabilitated or obtain some gainful employment?

We have hundreds of people in Portland who are trying to exist on $18 per month for food, clothing, and personal necessities. Even if they did not purchase clothing or personal necessities, this $18 allowed them above shelter would only permit them to spend 60 cents per day for food, or 20 cents per meal. And Portland living costs are high. These people come into our office weak with hunger, crying and pleading and praying for help—any kind of help. They show the lack of food physically and mentally. Inevitably they are malnutrition cases. The men in this category do have an out because they can and do join the breadline, which was 2 blocks long the day before I left Portland. These men stand in line for hours in the rain, snow, and cold, waiting to get inside for a bowl of soup.

A recent case I would like to present here is in a letter received from Alice Lucille Wallis, dated February 4, 1956:

DEAR MR. DOVER: I received my welfare check yesterday for $61.20 which isn't very much for me to live on for a month. I have to pay $47.50 for rent, and at my age 86, I am unable to do any cooking except to make a little coffee. As you know I am living in a hotel where most of the tenants are elderly people.

As you can see, after I pay rent, I have $13.70 left to eat, and buy my necessities, and my doctor placed me on a diet 5 years ago. His name is Dr. Wise of Portland.

I want you to know, Mr. Dover, that if it had not been for the Oregon Institute of Social Welfare, and the work you did for me, I know I would have starved to death. It was last November when I first called on you for help. For 4 months I lived on potatoes, bread, and water. I had to live like that in order to pay my rent, and even then, I was forced to borrow money to even pay my rent, and at my age, it is awfully hard to borrow any money, even small sums.

I want to thank you for all the things you have done for me. Indeed I am grateful to you, more than I can put into words.

Sincerely yours,

ALICE LUCILLE WALLIS,
Portland, Oreg.

This case is not eligible to draw social security benefits under the present law.

The next case I would like to present is eligible for social security under the recent revised law which is supplemented by old age assistance. There are thousands of cases like this in Oregon and Washington. Here is the letter, verbatim except the spelling:

PORTLAND, OREG., *February 6, 1956.*

DEAR FRIEND: I will write you a few lines to let you know that I am for getting (securing) what we were talking about this morning. I have been in pain for 37 long years and I hope you can do something for me so that I can have more to live on and I have an injury where I was hurt 37 long years ago and have almost starved many times since. I am 66 years old now and get my social security, $30 a month—not enough for me to live on.

MORRIS E. HARRIS.

Before Mr. Harris reached the age of 65, the Oregon Institute of Social Welfare gave him assistance weekly to keep him from going hungry and to provide fuel for him.

Right here I would like to present the assistance plan and authorization of award, for those on old-age assistance in Oregon:

Food (single person)	$32.00
Clothing	5.00
Personal incidentals	4.50
Household supplies	2.50
Replacements	1.00
Fuel	7.50

Usually runs about $10 per month in Oregon.

The foregoing does not include the housing, and varies a little depending upon whether renting or owning your own place.

Next in line of importance to our old folks is clothing. It is shocking to note that none of the 24,065 elderly people had bought a new suit or dress for 5 years past. They bought cast-off clothing from second-hand stores. From our own salvage store which we maintain to help finance our work, we gave over 4,000 pieces of clothing to the needy elderly people.

Eye glasses are the next item important to our elderly people. These are next to impossible to secure from the public welfare under the present system. It usually requires a great deal of redtape, and in nearly all cases, the public welfare declares it is "out of funds."

Dentures are another problem facing the elderly people. In order to secure them, the public welfare requires a doctor's statement that to be without dentures is injurious to the elderly person's health, or prevents employment. Even then it is a fight to obtain them.

THE RELATIVE RESPONSIBILITY LAW

A law was passed in Oregon in 1949, amended in 1953, and again in 1955, known as the relative contribution act. This law provides among other things, that certain relatives must contribute part of their earnings to relatives in need of assistance regardless of their ability to pay. For instance, if there are 5 children in the family and all 5 should be earning a gross yearly income of $4,000, with 2 dependents, all would have to contribute $20 per month to the relatives in need of assistance. However, on the other hand, should only 1 of the children out of the 5 be earning $4,000 or more per year and the other 4 earning $3,999, the latter would be exempt from contributing, and the 1 drawing $4,000 must shoulder the burden of contributing $20 or more per month to the relatives in need.

Of course, the public welfare has made an investigation of all 5 children to determine which and who shall pay and how much. By this time the entire family is grossly disturbed, and from then on the family ties begin to break. Quarrels, bickering, even abuse, is the result. Our own records show over 500 broken homes in 4 years directly caused by the Relative Contribution Act.

The public welfare, however, paints a rosy picture of collecting $20,000 a month under the Contribution Act. But what they don't show is the cost of broken homes. The husband deserts the family, leaving the wife and children to the mercy of the public welfare, separating the children, and in practically every instance placing them in foster homes, and virtually forcing the mother to go to work. This contribution collection of the public welfare is the most costly ever

made, for the victims for the most part who have to suffer are the children.

The Oregon elderly people and their families feel that the Relative Responsibiilty Act of 1949, amended in 1953 and again in 1955, represents a Soviet-type procedure in that it gives a State agency judicial power without due process through our courts. However, the Multnomah County Circuit Court of Oregon has declared the Relative Responsibility Act unconstitutional. The final decision is now pending before the State Supreme Court of Oregon.

After 6 years of research on the problem of our aged from the grassroots level, we believe that a just and fair solution to the problems of our aged and their families, especially those reaching the age of 60 and over, would be the following:

1. Increase social security to $100 a month pension for all men 62 or over and all women at 60 or over.

2. Eliminate the State public-welfare commission insofar as the elderly and totally disabled are concerned. Checks to be directly issued by the Federal Government.

3. Pay $100 a month disability allowance to the injured and totally disabled upon confirmation by competent doctors.

4. That a widow, 50 or over and under 60, whose husband has received social security, receive two-thirds of his social security immediately upon his death and continue to receive it until such time as she remarries or qualifies for her own social security.

5. Appeal to Congress to outlaw once and for all the State Relative Responsibility Acts. It has broken up hundreds of homes in Oregon alone and invariably throws the children and mother on the public welfare.

God gave us an abundance in America and we have created a scarcity in food and clothing for our elderly and needy people. Congress should provide some method whereby the surplus foods we have on hand could be distributed to our own hungry, needy people.

Thank you.

The CHAIRMAN. Any questions?

(No response.)

The CHAIRMAN. Thank you very much.

The next witness is Mr. Edward D. Hollander, of the Americans for Democratic Action.

Proceed, sir.

STATEMENT OF EDWARD D. HOLLANDER, NATIONAL DIRECTOR, AMERICANS FOR DEMOCRATIC ACTION

Mr. HOLLANDER. Mr. Chairman, my name is Edward Hollander. I am national director of Americans for Democratic Action. We appreciate the opportunity to express our views in support of H. R. 7225. I will state them briefly and try to avoid retracing ground which has already been covered by the committee.

ADA, from its beginning, has advocated every step to expand and stengthen our social-security system. Many of us remember the beginnings of social security in the United States, when the country was still deep in depression, and remember that it was always an explicit understanding that we would progress as fast as the economic

condition of the country would permit toward a system which was more nearly adequate to the country's needs and commensurate with its resources.

The 1955 national convention of ADA adopted unanimously a resolution advocating:

1. Further expansion of coverage and benefits under the federally administered old-age and survivors insurance program toward the goal of adequate coverage for all retired workers and their dependents.
2. The inclusion of provisions whereby old-age and survivors benefits will be made available to workers who become disabled before retirement age.

We believe both the need and the resources can be convincingly demonstrated now.

FIRST, WITH RESPECT TO NEED

The Joint Committee on the Economic Report recently completed a searching inquiry into the extent an causes of poverty in our rich and prosperous country. The findings of that inquiry are, of course, known to your committee, but I should like to call attention here to several which I believe are pertinent to H. R. 7225.

First, that even in these prosperous times, 20 to 30 million of our people are living in conditions of poverty and acute want. Second, that to a very large extent their poverty arises from circumstances which are not affected by the general condition of full employment and high wages. Third, that old age and disability are two of the principal circumstances contributing to this poverty.

We should not tolerate this kind of widespread and shocking want among our people, and fortunately we need not. We are now in a position where we can proceed to round out the adequacy of our social-security programs as we promised ourselves in the 1930's that we would. The output of our economy in goods and services is double what it was in the late 1930's. Our standard of living has risen by more than half. The outlook for the American economy and for most Americans is bright. Yet there are some—too many—for whom it is bleak, indeed, unless we take steps to channel some of our accumulating economic gains to relieve their distress. If we do not, our economic growth will continue to pass them by while yielding more and more to the rest of us.

This would be neither economically healthy nor sound policy in a democratic society. I think it is demonstrable that the remarkable growth of the economy over the past decade has been possible principally because of the widespread and expanding purchasing power of consumers, which has provided a strong and steady market for our wonderfully productive enterprise economy.

And I think it can be demonstrated that the likeliest and healthiest directions of further growth lie in the untapped demand for goods and services from some 10 million families which, by the standards of the rest of us, are underconsuming because they lack the incomes to buy a decent American standard of living.

Consequently, all questions of humanity apart, measures which will help bring these families nearer full participation in our economy and in our society benefit the country as a whole.

For example, it has been estimated that, if all families with incomes below $2,000 were enabled to consume as much food as the average

American family, the demand for food would be increased by some $3 billion, with consequent benefit to our farmers and the economy generally.

It seems to us that H. R. 7225 would provide a modest step in that direction. As I will point out a little later, we think it is in some respects too modest, but we believe it would represent a substantial gain even if it were passed exactly as it is before you.

The distinguished chairman of the Committee on Ways and Means, in reporting H. R. 7225 on behalf of a majority of his colleagues, offered eloquent and convincing advocacy of the bill, which needs no reiteration from me. I would like to raise some points not explicitly included in his report which I believe are relevant to principal provisions of the bill.

BENEFITS TO PERMANTLY AND TOTALLY DIABLED WORKERS

At any given time there are in the United States about 4 million persons with long-term disabilities. About half of these are in the working years, 25 to 64. About 1 million are men and women who, but for their disabilities, would be employed. Many of these, of course, have others dependent or partially dependent on them, and their inability to work is a major cause of poverty. It is no wonder that witness after witness before the Joint Committee on the Economic Report cited the lack of disability benefits as the most conspicuous gap in the coverage of our social-security program.

The Chief Actuary of the Social Security Administration recently testified before you that under the eligibility standards provided in H. R. 7225, including the minimum age of 50, about 250,000 insured workers would receive benefits. Without questioning the strict tests of permanent and current attachment to the labor market provided in the bill, we cannot support the restriction of benefits to persons 50 years or over. There are less than half as many disabled in the working ages below 50, but the need for protection is equally great—perhaps greater, since the younger workers more often have young children dependent on them. We urge you to broaden the coverage of these benefits to include all workers who meet the other eligibility requirements, without regard to age.

We also urge you to include dependents' benefits for such workers. Unlike the typical old-age pensioner, whose family responsibilities and material needs are minimal, the younger worker who is forced into retirement by disability generally has a wife and, often, young children dependent on him for their many and varied needs.

Typically, he is paying for the family home and giving his children an education at the time when the family expenses are at a maximum. Then, more likely than not, he is under heavy medical expenses by reason of his disability.

The average factory worker drawing disability benefits would be eligible for a primary benefit of something less than $100 per month. It seems to us that every consideration of individual and social adequacy argues for according him the same supplementary benefits for his wife and dependent children as are provided for old-age pensions. His obligations are greater, his savings less, his period of need longer than an old age annuitant. To reduce the family to poverty not only inflicts hardship on them but, by stunting the future of the family and

its children, leaves the country poorer and weaker, now and into the future.

RETIREMENT AGE FOR WOMEN

In spite of the steady liberalization of the old-age insurance system for 20 years, old age and the characteristic dependency of old people is one of the chief contributing causes of poverty. It has been repeatedly observed that incomes of persons 65 and over are very low compared to others in the population and, for a large fraction of the aged population, inadequate to support a decent standard of living. This is especially true of the two-thirds or more of aged people who have no income from employment. As recently as the middle of 1955, nearly one-fifth of people 65 and over were dependent on public assistance; that is, for practical purposes, destitute. About 40 percent were beneficiaries of old-age insurance, and foremost of these their benefits were their principal or only source of income. Yet the average old-age benefit was only about $60 a month, and at the time of the most recent study the average income from all sources of married couples receiving pensions was something over $100 per month.

Reducing the benefit age for women, as provided in H. R. 7225, would represent a gain in several specific respects.

For married couples, it would make the wife, on the average, eligible for benefits soon after her husband is, thus reducing the timelag that intervenes in many cases between the husband's retirement and his wife's. This would increase by 50 percent the couple's pension income in the early years of retirement.

For widows and working women, it would advance their retirement at an age when employment becomes more difficult and less remunerative. The low incidence of employment and the very small incomes of women in their sixties without husbands testifies to their need for this added protection. We agree, however, with Senator Neuberger and with the minority of the Ways and Means Committee that benefits should be made available to widows at age 60.

Mr. Chairman, there has been so much question raised by this business of the proposal to reduce the retirement age of working women and widows, I would like to make one additional comment on that.

I think we have to distinguish between the objectives and the characteristics of private pension plans and public pension plans of this sort.

One of the principal purposes of private industrial pension plans, of course, is to keep the working force of the employer attached to him as long as possible to reduce turnover, which is expensive and inefficient, and to keep his good workers on the job as long as he can keep them. So that there are inducements for him to persuade his employees to stay with him as long as they remain efficient employees.

A public pension system, on the other hand, simply offers an opportunity to those women who cannot find jobs, for whom employment is uncertain and yields very litle, an opportunity to retire if they need to.

I think it has been demonstrated over and over again that people in this country would rather work than live on pensions because their pensions are so small compared to their earnings, especially in these times when earnings are good. So that I think it is perfectly consist-

ent to have in our public social security program a provision which permits women to retire at 60 and 62, even though in private pension plans for people who are employed, the retirement age may be as high as 65.

INCREASED COVERAGE

We support the proposals in H. R. 7225 for filling in some of the gaps in coverage of the social-security program. But we believe that one conspicuous gap remains unfilled. This is the cutoff of $4,200 on earnings subject to benefits and to contributions. As the law now stands, no part of individual's earnings above $4,200 a year can enter into the determination of his benefits—in other words, the individual earning $90 or $100 a week cannot earn benefits more than if he earned $80. This is a serious defect in an economy of high and rising earnings. In this respect, the social security has failed conspicuously to keep pace with the changes in the economy and in the capacity and needs of the insured population.

The original cutoff at $3,000 covered the earnings of more than 95 percent of the workers subject to the act. Actually, a cutoff of about $7,800 would be necessary to restore the degree of coverage of 1935. Since then, wages have tripled or quadrupled, but the cutoff has been raised only 40 percent; so that now it just about equals average weekly earnings of factory workers, leaving much of the earnings of the covered population uninsured and untaxed.

Workers who have been earning $400 and $500 per month receive no more than 108.50 per month in retirement, since no part of their earnings above $350 per month can be considered in the benefit formula.

We believe that the cut-off should be raised to $7,200, with consequent increases in benefits and contributions. This would permit an individual to earn a benefit of as much as $158.50. At the same time, it is estimated that raising the amount subject to tax would more than cover the cost of the increased benefits.

In conclusion, Mr. Chairman, I would like to say that we are aware of many questions that have been raised concerning the feasibility and timeliness—very few about the desirability—of the principal provisions of this bill. For the most part, these questions were raised by the Department of Health, Education, and Welfare through its then Secretary, Mrs. Hobby.

Mrs. Hobby, in a letter she sent to the Ways and Means Committee last year, raised these questions. Many of the points are relevant to the bill you are now considering, though it is hard to escape the suspicion that many were included for the sake of political rhetoric. In what seemed an effort to obstruct, rather than enlighten, the then Secretary proposed a "study commission" such as served her so well to delay action on Federal aid to education, without offering any constructive advice or counter-proposals, pleading ignorance on a subject which had by then been before the Congress for 6 years and was actually passed by the House of Representatives in 1949.

We note also opposition of the Chairman of the Medical Advisory Committee of the Social Security Administration to the payment of benefits for total disability. This has since been echoed by other spokesmen for the medical profession, and it would be surprising if

this were not the point of view of the American Medical Association whose opposition to such measures seems to have become automatic. Like others with a profound distrust and disrespect of American working people, they assume that availability of disability benefits would destroy the incentives to independence and self-support in their words—

> serve as an inducement to deter the applicant from * * * being rehabilitated.

It seems to me that in the history of social security in the United States refutes this on its face. The availability of social-security benefits has not weakened the incentives to work and to save. As against these conjectural objections, there are the solid facts that the proportion of persons 65 years and over in the labor force is about as high now as it was in 1940; that the average retirement age is 68—although benefits are available at 65; and that long-term savings per family—excluding social security—are about four times what they were in 1935.

In other words, social security has by no means undermined or diminished the incentives for individuals and families to save for their own independence.

The arguments of the spokesmen for organized medicine could be taken more seriously if they had not for 20 years opposed virtually every proposal for increased social and economic security and screamed "socialized medicine" at every proposal to legislate in the interests of the Nation's health.

Finally, there is the line of questioning pursued in the report of the minority of the Committee on Ways and Means which, it seems to us, deserves more serious consideration.

These questions go to the accumulating costs of the social security program and the employment taxes necessary to support it. It seems to us, Mr. Chairman, that this goes to the subject I raised at the outset of my testimony; namely, can the country, and the individuals whose labor yields its national product, afford broader insurance protection against the economic hazards of old age and disability?

Our answer is clear from what I said earlier: That with the rising national income, we can afford these increased protections and still increase our general standard of living.

As a case in point, may I call to your attention the increase in private life insurance in force, which has risen to two and a half times what it was when the social security act was passed, yet because of higher family incomes, the costs of insurance are less burdensome to the individual family than they were in 1935.

The basic questions are: Do you have confidence in the continued growth of the American economy? And if you do, is it not reasonable and prudent to allocate a small fraction of the increased income to the purchase of these broader protections?

Our answer to both questions is: Yes.

If you don't mind, Mr. Chairman, I would like, if I may, to comment very briefly on something that was said here yesterday, or at least was reported in the press to have been said here yesterday.

One of the witnesses representing the Mutual Life Insurance Co. of New York is quoted as having said, with respect to the lowering of the retirement age for widows, that the typical resources of elderly widows are considerable.

Well, I don't know what he meant by "considerable," Mr. Chairman, but I took the trouble to look up a few facts on this subject.

There are a great many reports by the Joint Committee on the Economic Report, in their study of low-income families, and we find among other things that of nonmarried women, which of course, includes widows as well as women who have never been married, only about one-fifth had what was termed in that report "asset income," which is to say, income apart from earnings or pensions or public assistance; that is, income derived from their savings.

Only about one-fifth of them had asset income, and of that one-fifth, the average income from all sources, the asset income and any other sources that they had, was something in the neighborhood of $800 a year.

I only wanted to offer the observation that in the facts and in the official statistics that are available to us there is certainly no evidence that the typical resources of elderly widows are "considerable."

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Hollander.

Any questions?

(No response.)

The CHAIRMAN. Thank you, sir.

The next witness is Dr. Edward J. Stieglitz of Washington, D. C.

Will you have a seat, sir, and proceed?

STATEMENT OF EDWARD J. STIEGLITZ, M. D., WASHINGTON, D. C.

Dr. STIEGLITZ. Senator, I want to thank you for the privilege of appearing here as a citizen with specialized understanding of the problems of aging. I do not represent any group, and certainly not the American Medical Association.

I asked for the privilege of testifying against certain provisions of H. R. 7225 because of a firm conviction that they are pernicious and destructive to the moral fiber of the Nation.

Instead of making a long statement or more specifically identifying myself now, may I add to the record biographic data and a bibliography of previously published items which can be referred to at leisure and which will confirm my status of an expert witness in gerontology?

The CHAIRMAN. Without objection, the insertion will be made.

(The biography and bibliography of Dr. Stieglitz are as follows:)

BIOGRAPHIC DATA

Born in Chicago, Ill., 1899. Degrees: B. S., University of Chicago, 1918; M. S. (histology), University of Chicago, 1919; M. D., Rush Medical College, 1922; Fellow, American College of Physicians, 1931. Intern, Presbyterian Hospital of Chicago, 1921-22; fellow in medicine, National Research Council (at Johns Hopkins University Medical School), 1922-23. Licensed to practice medicine in Illinois (1922), Colorado (1938), Wisconsin and Maryland (1938), and the District of Columbia (1941), American Board of Internal Medicine, 1937.

Societies, etc.: Member Chicago Medical Society, Illinois Medical Society, Chicago Society of Internal Medicine, 1932-38. Present: Fellow American Medical Association, the Institute of Medicine of Chicago, the American College of Physicians, Phi Beta Kappa, Alpha Omega Alpha, Sigma Xi, the American Association for the Advancement of Science, American Heart Association, American Diabetes Association, Gerontological Society (secretary, 1945), Medical Society of the District of Columbia, American Psychosomatic Society, Academy of Medicine of Washington, New York Academy of Medicine, American Geriatric So-

ciety, American Society for the Study of Arteriosclerosis, Research on Aging Conference, Cosmos Club, Washington, D. C.

Past teaching positions: Assistant in anatomy, University of Chicago, 1917–19; assistant in pathology, University of Chicago, 1919; associate in anatomy (histology), University of Chicago, 1920; clinical instructor in medicine, Rush Medical College, 1926–27; assistant clinical professor in medicine, Rush Medical College, 1928–35; associate clinical professor of medicine, Rush Medical College, 1935–38; research associate, Department of Chemistry, University of Chicago, 1934–38.

Past appointments: Assistant attending internist, Presbyterian Hospital, Chicago, 1926–38; attending internist, Chicago Lying-in Hospital, 1926–31; attending internist, Chicago Memorial Hospital, 1923–38 (head of medicine, 1936–37); research associate in charge unit on gerontology, National Institute of Health, Public Health Service, Bethesda, Md., 1940–41; attending internist, geriatrics, 1945–53; consultant in geriatrics, 1953–55, Chestnut Lodge, Rockville, Md.; member, conference on psychiatric education, 1951.

Present appointments: Consulting internist, Suburban Hospital, Bethesda, Md. (chairman, medical staff, 1945–47); consulting physician, Washington Home for Incurables, Washington, D. C.; chairman, advisory council on professional education, commission on chronic illness, 1949–50; consultant in geriatrics, Veterans' Administration; lecturer on industrial medicine, postgraduate medical school, New York University; geriatric consultant, St. Elizabeths Hospital, Washington, D. C., 1951– ; consulting editor in the Journal Geriatrics; member, editorial advisory board, American Journal Clinical Nutrition, 1952– .

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Dr. STIEGLITZ. In the first place, sir, the reduction of retirement age of women from 65 to 62 ignores the trends of changing longevity manifest in this country. Women have approximately a 6-year greater life expectancy than men today. If any change is made at all, logic demands that women be considered ready for retirement later in life than men, not earlier.

Vital statistics data for 1953 indicate that an average white woman aged 65 can be expected to survive approximately 15.3 years. Men at the age of 65 average 13 years of survival. At age 50, which would include those who would receive disability starting at age 50, the life expectancy of women was 27.3 in 1953, or 4 years greater than that of men of the same age. At age 62 one can expect an average survival of 17 to 18 years for white women. Among the many deleterious consequences that enactment of such legislation labeling a woman as unfit for employment (or eligible for retirement at a younger age than at present) is intensification and acceleration of the sense of uselessness, the sense of being finished, the sense of being old. This feeling in either men or women is in many respects the greater tragedy of age rather than economic insecurity. An awareness of uselessness is the primary tragedy.

This awareness is already a serious emotional problem which contributes to the rising incidence of psychoses in the elderly. The mental disorders of senescence and the senium, as you well know, are overfilling hospitals for mental illness so extensively that younger individuals cannot get the care which is necessary. (Please note references 87 and 98.)

Disuse consequent to premature and unnecessary retirement contributes considerably to the degenerative diseases of later life: obesity, diabetes, mental deterioration. (Please note data in references 87, 129 and 136). Anything which contributes to individual survival without contributing to the national economy tends to destroy morale, and morale has a very decided affect upon physical health.

It also intensifies that very acute problem which may be labeled "when should parents leave home?" Namely, should aged infirm parents continue to reside with the children of the younger generation? Once an elderly woman starts receiving social-security benefits, the tendency is to move into the household of her children. Two adult generations do not survive well together. The price paid in intense emotional stress for both generations far exceeds the benefit of a few paltry dollars.

Lower retirement age of women (or men also) intensifies the low esteem for age and therefore for maturity which exists in the United States. Here there exists a nearly universal intense fear of age. Age is considered to be the equivalent of a loss of youth, a depreciation and a decline in anticipation of death. There is almost no awareness or recognition that aging can be and should be a question of continuing growth of personality, knowledge and wisdom.

Respect for age and the aged generally parallels maturity of culture. Mankind is still very immature and limited in vision. In the concept that might makes right we see revealed the juvenile emphasis of physical force. The older and more mature cultures, such as that of the Chinese, take greater cognizance of aging as a developmental factor than do younger, aggressive cultures such as our own. In the early pioneering days in America there was little time and even less patience for the infirmities of age. This pattern has persisted. Our culture places an inordinate value and emphasis on all that is young or that which is new. It is assumed that new models of automobiles are necessarily better vehicles than old ones. Aging is considered to be a process of wearing out; youth is idealized and held in the highest esteem. The idolatry of youth and its characteristics, such as speed, certainty, aggressiveness, and noisy self-expression has reached such heights of absurdity in our American culture that recently Philip Wylie indicated America as "the world's first pediarchy",[1] wherein youth and children, by dominating their parents, have seriously distorted the American concepts of education, discipline and maturity.

In our idolatry of youth and newness we intensify the sense of evil associated with age. Age is something to be feared, something to be ashamed of, denied and shunned. This results in ludicrous, incongruous efforts at the concealment of age by all sorts of deceit, including much absurd reliance on cosmetics. But let us not be too free in damning this as evidence of unrealistic vanity; in the present cultural environment admission of age may constitute a truly serious barrier to gainful employment. The momentum of a cultural heritage is not quickly overcome. The aged are rejected and often displaced persons. The advice of elders is often resented. Judgment, acquired only through experience, is held in low esteem. In these days of speed, action too often precedes judgment.

Enactment of any legislation which damns an individual by labeling them as old and ready for retirement intensifies this problem, and thus intensifies many of the emotional stresses of later maturity. These in turn contribute to the alarming increase in incidence of chronic degenerative disease, including involvement of the brain. Such legislation interferes with opportunities to work; employers will find an additional reason for not employing older individuals. If younger workers are available and those over 62 can get their social security, why should they be employed? And, yet, they can be most significantly productive. Thus enactment of the revisions of H. R. 7225 will increase the prejudice and the resistance of employers to utilizing more mature personnel. It is severe now. After World War II the Veterans' Administration reported difficulty in placing

[1] America—The World's First Pediarchy, Pocket Book Magazine, No. 1, November 1951.

veterans 35 years of age, because employers felt they were "too old." (Please note data in references 50, 51, 53, 68, 72, 87, 98, 143, 149.)

Permit this attitude to spread, this concept that the older individual is no longer competent, and it may even jeopardize the election of older elected officers in Government.

Senator BARKLEY. You have got some proof against that theory right here.

Dr. STIEGLITZ. The exception of exceptionally exceptional men merely proves the point.

My objection to the new section on disability insurance arises because it puts profit into disability.

The previous witness testified that this did not delay recovery. However, there is ample evidence to indicate that wherever there is profit in remaining disabled, it definitely and decidedly retards recovery and often inhibits any efforts to make recovery. (Note data p. 117 in reference 87.)

Some of the more obvious absurdities of the veterans' disability and other benefits are now being reviewed by a Presidential Commission. I suggest that the committee obtain some of these most significant recent findings.

This proposed legislation completely ignores the importance of absolutely essential efforts toward health required of the individuals if they are to avoid premature disablement because of chronic progressive disease. The bill contains no requirement whatsoever that rehabilitation or efforts to maintain health are necessary before disability payments are made. It seems to be assumed that most disability arises from malignant forces over which the individual has no control. Such assumption is invalid. The vast majority of disabilities in the later years of life are consequent to a group of progressive diseases which are essentially endogenous, and amenable to prevention or retardation only through individual self-discipline. The payment of money for disability without efforts toward public education in matters pertaining to the maintenance of health, without research, without preventive programs and rehabilitation services is futile, wasteful and detrimental to the public welfare. I refer you to references 59, 62, 70, 73, 77, 87, 92, 98, 99, and especially 129, 135, and 148.

Apparently there has been great difficulty in attempting to define disability, both in the bill as is now writen by the House and in the discussions which have been reported in the press from your hearings.

The question is: When a man disabled or when is a woman disabled? Fundamentally, it is when the individual quits trying. We must remember that the delightful human comedy, noteworthy for its tremendous insight, "Life With Father," was written by a man who was bedridden with arthritis; he could pick at a typewriter slung from a frame over his bed with one finger and no more. Was he disabled?

Disability arises when an individual quits trying. And, if we make it too profitable, we encourage quitting.

As the definition of disability now reads in the bill it could be interpreted as including chronic alcoholism, vagrancy, and various kinds of addiction, either to drugs, indolence or to apathy. These States would constitute disability as the bill is presently written.

Compensation boards for industry and for the Veterans' Administartion have struggled with the problem of defining disability for

years. Logic had to be forsaken for arbitrary rulings. The present law could but add to the confusion.

My primary objection to H. R. 7225, however, is that, in my considered opinion the bill is detrimental to the national welfare. It encourages depreciation of the moral fiber of this, our beloved, Nation. Any prolonged or excessive paternalism, no matter how benignly intended, is perniciously corrosive in its consequences. Excessive dependency retards development of maturity in personality. It is immaterial whether dependency is continued or exaggerated within the family as a child-parent relationship, by the church, or by the State. The net result is a retardation of growth; a vitiation of maturation. Immaturity is characterized by failure to accept the inevitable inseparability of privilege and responsibility; that every responsibility constitues a privilege and that every privilege constitutes a responsibility. The most serious consequence of generalized immaturity is failure to accept the responsibilities of freedom. As Eric Fromm, in his significant book, "Escape From Freedom," published in 1942, pointed out, people, the free peoples of the world, are actually seeking to give up their freedom because of the responsibilities involved. People are seeking paternalistic support, or a state of dependency, unrealistically believing they can retain true independence simultaneously.

Thus it is no wonder that there is neither solidarity nor conviction in our psychological warfare against totalitarian regimes. Without necessarily being aware of it, our population is asking for a continuation of dependency rather than true freedom. The constant reiteration of the need for and benefits of security is fundamentally dishonest because there is no such thing as security; it is a euphemism, a myth begotten of childish wishing. To promise security, social or otherwise, is to promise a pot of gold at the end of a rainbow that doesn't exist. Of course, everybody likes Santa Claus, but only children vote for him as being real.

If the Congress wants to keep the people of the United States immature, it can encourage it with paternalistic legislation. If we want to build a Nation of more mature people there must be, as President Eisenhower has said, a resumption of the sense of responsibility for self.

The results of governmental paternalism are already showing in many ways. Early this year Captain George Raines of the United States Navy reported in Cincinnati the results of an extensive study of discharges from the Navy for personality reasons. In brief, gentlemen, there has been a tremendous change in the attitude of the young sailor, and the number of discharges because of unsuitable personality has increased conspicuously. Whereas the boys formerly asked, "Is this right?", they now ask, "What's in it for me?".

Apparently we are developing a population of "gimme guys"—give me this and give me that. These are boys who grew up since 1932. I view with alarm the threat of irresponsible self-interest when this present generation becomes elderly. Their demands may become an insurmountable burden.

Perhaps it is time to stop, think, and question whether continued enhancement of the survival of the relatively unfit through dependency and the retardation of their maturation of personality and sense

of responsibility consequent to pampering paternalism will not ultimately jeopardize the survival of the more fit of the Nation.

This, in my opinion, is the greatest menace of the legislation under consideration because it is unrecognized. Though subtle, these forces are most decidedly powerful.

Rather than destroy or inhibit responsibility for self as this bill does, I would urge the cultivation of physical and mental health through instruction and example of self-reliance, self-discipline, and self-esteem. The encouragement of work in later years can contribute much more to self-confidence and health, which includes happiness, than dole-like money payments.

These the bill tends to erode.

Thank you, sir.

The CHAIRMAN. Thank you, Doctor. You have made a very interesting statement.

Any questions?

Senator BARKLEY. Doctor, you said you were not speaking for the American Medical Association, but are you a member of it?

Dr. STIEGLITZ. Yes.

Senator BARKLEY. You are not speaking for any group?

Dr. STIEGLITZ. No, sir.

Senator BARKLEY. What experience have you had in your capacity as a physician, either in private practice or in public relations, that compels you to do the rather unusual thing of coming in your individual capacity, in your own name and right, to testify about this legislation? Have you had any membership in any organization or any experience that has brought it to your attention forcibly?

Dr. STIEGLITZ. The biographic data contains the evidence of my qualifications as an expert in the problems of aging.

Senator BARKLEY. Your biography gives it all, but I haven't read it.

Dr. STIEGLITZ. Yes, I realize that.

I graduated and started the practice of medicine in 1921; I have been in the practice of medicine since 1923. In the last 20 years my major concern has been with the problems of aging.

I was for a period of time at the National Institute of Health in Bethesda, setting up the first unit for the study of gerontology. This unit is operating out of Baltimore. Gerontology is the science or study of aging, in contrast to geriatrics which deals with the clinical application of knowledge to the diseases of age.

My text book "Geriatric Medicine; Medical Care of Later Maturity" is now in its third edition. The appended bibliography of research and other articles includes approximately 150 publications largely pertaining to this subject.

I have taught at the Rush Medical College and at other universities and medical schools, and held and hold a number of consultive positions.

If you wish to know the societies of which I am a member there is a long list; they are all sicentific organizations.

Senator BARKLEY. I just want to get the general idea.

Dr. STIEGLITZ. My qualifications as an expert in the problems of later life, both psychological, physical and sociological, I think, will be revealed by the bibliography.

Senator BARKLEY. You paint a rather pessimistic picture of our current youth.

Dr. STIEGLITZ. I don't blame the youth.

Senator BARKLEY. I don't take quite that pessimistic view as you do. I can recall the age of the flapper. I remember that I lived through the age and everybody predicted that we would have no more good families, that none of the young women were going to make good wives because they were all flappers as they were called. And, yet, they turned out to be just as good mothers and citizens as their forefathers or foremothers.

And I think that in this last war and in all the wars we have been compelled to fight, the young men of our country have displayed as much heroism as they did a hundred or a hundred fifty years ago. So that I don't take quite the pessimistic view of the degeneration of our youth as you seem to take.

Now, I have great respect for your opinion and your ability. You have given us a very clear statement of your views, but I can't quite coincide with the idea that seems to prevail that we are selling our young people down the river. That may not be a happy expression but it seems to be the trend of your mind.

I was expressing my own opinion, you don't have to reply to it.

The CHAIRMAN. Are there any further questions?

Senator BARKLEY. That is all. That wasn't a question, that was a statement.

The CHAIRMAN. The hearing will adjourn until 10 o'clock tomorrow morning.

(By direction of the chairman, the following is made a part of the record:)

BALTIMORE 8, MD., *February 2, 1956.*

CHAIRMAN, FINANCE COMMITTEE,
United States Senate,
Washington, D. C.

DEAR SIR: I understand the social-security laws do not contain a provision for the waiver of social-security benefits, such as is contained in the Railroad Retirement Acts and the Civil Service Retirement Act—and I quote from section 13 of the Civil Service Retirement Act:

"Any person entitled to annuity from the civil-service retirement and disability fund may decline to accept all or any part of such annuity by a waiver signed and filed with the Commission. Such waiver may be revoked in writing at any time, but no payment of the annuity waived shall be made covering the period during which such waiver was in effect."

It is suggested and hoped that should your committee recommend any further changes in the social-security laws a similar waiver privilege as above is incorporated.

It is my understanding that the waiver mentioned is beneficial to military veterans, in that it permits them in so waiving certain benefits to keep their "income" within the limits permitted for the purpose of qualifying for the non-service-connected pension, if otherwise qualified, as may be awarded by the Veterans' Administration.

Very respectfully yours,

RICHARD MACKAY.

FEBRUARY 6, 1956.

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: This letter is in regard to H. R. 7225. I am unable to attend a public hearing but would like to offer my views.

Benefits under social security are figured on average earnings from January 1, 1951, to the year in which applicant reaches his 65th birthday. Many self-employed persons were covered for the first time during 1955, including farmers. On account of the loss of the years from 1951 to 1955, the law was passed to allow applicants to drop out up to 4 years of low or no earnings under covered employ-

ment, which made their situation to be on an equitable basis with those already covered.

H. R. 7225 proposes to place the remaining self-employed population, including optometrists but possibly excluding physicians, under social security, which I sincerely hope will be effective as of January 1, 1956.

However, if these people can only drop our 4 years of no covered earnings, it would not be fair as they never could attain a maximum average on account of the year 1955, during which they were not allowed to be covered whereas most people were. (I know they could drop out 5 years if they were under social security at least 10 years, but many would not be able to be under that long.)

Therefore, I respectfully suggest that you embody in H. R. 7225, a clause similar to the following: "Persons newly covered under this act may retroactively pay FICA taxes on their net earned income for 1955 on an optional basis, which shall entitle them to 1 year of coverage provided this is paid before December 31, 1956," or something to the effect of above.

This will make it fair all around and will not force those to be covered who are unwilling, for 1955. Failure to do this will make it impossible for many, especially of the older group, to attain an average to make up for the lost year.

The passage of the 4 year dropout provision passed last year equalized the opportunities of those newly covered in 1955, so I hope you will also consider the justice of similar provisions for those who I hope will be newly covered in 1956.

Sincerely,

W. F. MANSFIELD, M. D.

TEANECK, N. J., *January 10, 1956.*

Re Social-security law.

HON. CLIFFORD P. CASE,
United States Senator, Washington, D. C.

DEAR SENATOR CASE: I am taking the liberty of drawing your attention to what appears to me to be a gross injustice to a certain group covered under social security.

Originally, of course, the tax was based on a maximum salary subject to tax of $3,000. Then around 1950 the tax basis was raised to $3,600 and last year to $4,200.

Now, say for a man reaching 65 years of age this year, and assuming he had worked 10 years from 1937 to 1947, he receives considerably less monthly payments than a man who worked 10 years from, say, 1945 to 1955. The argument is, apparently, that as he only paid tax on a basis of $3,000, he should not benefit as much as a man who paid on a basis of $3,600 or $4,200.

This argument, of course, would be sound, if a dollar in 1955 had the same purchasing power as a dollar in 1937. Therefore the result is that in 1937 a man paid into social security dollars worth 100 cents, but is now paid in dollars worth only from 65 to 80 cents, and receives less of these lower value dollars than the man who paid into social security dollars worth from 60 to 80 cents.

It was very much harder to earn $3,000 in 1937 than $4,200 today. Ordinary laborers earn upward of $2 per hour today, while some college professors earned not much over $3,000 per annum in 1937.

There is one other argument why a man should receive consideration who started paying social-security tax back around 1937. Those payments, at least theoretically, should have been earning interest for almost 20 years, as against a very short time for the man paying on the basis of $3,600 or $4,200. This argument, however, is slight as compared to the injustice of taking a man's 100-cent dollars, and then paying him back a lower amount of 60 to 80 cent dollars.

My contention is that a man's social-security benefits should be based on the number of quarters a man worked and paid social-security tax. That is, whether he worked say 10 years, from 1937 to 1947, or say from 1945 to 1955, his social-security benefits should be the same.

I hope I have made my point clear to you. If so, and provided you agree with me, perhaps you will be good enough to propose legislation so that equal benefits are payable to all.

Respectfully,

WOLDEMAR E. BIER.

CARE OF FRENCH COMMERCIAL COUNSELOR,
New York, N. Y., January 5, 1956.

Senator HARRY FLOOD BYRD,
Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: As loyal and conscientious American citizens employed by foreign governments in this country, we respectfully request the inclusion of individuals in our category within the framework of our country's social security legislation. We are hereby submitting to you a petition bearing the signature of 271 citizens employed by foreign governments who keenly believe that they are entitled to the privilege of coverage under social security.[1]

We turn to you and your colleagues on the Senate Finance Committee to amend the Social Security Act so that we can be protected after retirement in the same way as the majority of our fellow citizens are.

You have expressed your interest and concern with our problem and we trust that now that the opportunity is being presented to you, you will be able to make possible new legislation to include these Americans under the Social Security Act.

We thank you for your efforts on our behalf.

Sincerely yours,

BEATRICE AUERBACH.

AMERICAN MERCHANT MARINE INSTITUTE, INC.,
Washington 6, D. C., January 27, 1956.

Senator HARRY FLOOD BYRD,
Chairman, Committee on Finance, United States Senate,
Washington 25, D. C.

DEAR SENATOR BYRD: The American Merchant Marine Institute, a trade organization representing 53 United States-flag steamship companies operating in the domestic and foreign trades of the United States, notes that during the course of hearings now being conducted by your committee on H. R. 7225, social-security amendments, that proposals for additional amendments are being made.

We wish to express our opposition to any proposal providing for the extension of social-security benefits to residents of the United States employed by American employers on foreign-flag vessels and to urge that if these benefits are to be extended, they be restricted to citizens so employed.

Very truly yours,

ALVIN SHAPIRO,
Washington Representative.

LLOYD BRASILEIRO,
New Orleans, La., December 28, 1955.

Hon. ALLEN F. ELLENDER,
United States Senator, Senate Office Building,
Washington, D. C.

DEAR SENATOR ELLENDER: We, the undersigned,[1] employees of Lloyd Brasileiro, an agency of the Government of Brazil, who are American citizens, taxpayers, and qualified voters in the State of Louisiana, most respectfully and earnestly appeal to you for assistance in correcting an omission in the social-security program for employees such as we and others who while following their profession in the employ of foreign governments are not being afforded the protection and equalities of other American citizens for our old age.

We are in the category of white-collar workers with families to support and educate and with the cost and standard of living of today find it difficult to accumulate a savings or afford the premium on another type of insurance comparative to social-security benefits that would protect our families, should they be deprived of our income by death, or for ourselves, should we reach the mature age of the social-security program.

We understand we are being deprived of the benefits because there is no way in which the United States Government can accept any payment from a foreign government in conjunction with the American employee under the Social Secu-

[1] Petition referred to retained in committee files.

rity Act; however, we believe that it is feasible and a way could be found to broaden the act to permit American employees in employment such as ours to pay the full premium as would be the case should we be self-employed and earning over the minimum amount required.

We feel sure that it is your earnest desire to protect and aid citizens and their families in your community and fully realizing our problem and hardship will be successful in finding the way and rewarding us by the good news of inclusion in the social-security program by congressional action of the next session.

Please accept in advance our thanks and deep appreciation of your efforts in our behalf.

Felix S. Fonte Jr., Lindsey Anthony Lincoln, Olga Day Badon, Mildred Voelkel, Pearl M. Saudoz, John Bannamgere, J. S. Buforth, G. P. Bergeron, L. Johnson, A. A. Robinson, A. J. Herman, E. L. Thorn, J. J. Brunswick, W. H. Reynolds, Eugene A. Brown, Sr., J. T. McCleland, Sr., J. Passmore, F. M. Gonzales.

UNITED STATES SENATE,
Washington, D. C., February 17, 1956.

The Honorable HARRY F. BYRD,
Chairman, Committee on Finance, United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: Last week John Hofer of Freeman, S. Dak., called at my office with regard to old-age assistance and survivors insurance benefits.

Mr. Hofer retired from farming operations several years ago prior to the enactment of legislation which provided that agricultural workers, employed and self employed, were eligible for social security coverage.

Mr. Hofer, along with others in the same category, feels that an injustice is being done to them and that they now find themselves unable to secure the benefits of the act.

Since your committee is now giving consideration to legislation amending the Social Security Act, it would be appreciated if the committee would explore the possibilities of providing a method to extend coverage to our elder citizens in this group.

Kindest regards.

Sincerely yours,

FRANCIS CASE,
Senator from South Dakota.

TEXAS FARM BUREAU,
Waco, Tex., February 6, 1956.

Hon. LYNDON B. JOHNSON,
Senate, State of Texas,
Washington, D. C.

DEAR LYNDON: This is in regard to the social-security program. Farmers in Texas, as I am sure you know, are not at all satisfied with the existing social-security program.

I have discussed this matter with county farm people throughout the State of Texas and the majority of them had this to say about social security. First of all, if social-security programs are necessary for farmers, they should be on an optional basis, not on a compulsory basis.

Texas farmers are also a bit doubtful of the soundness of the disability benefits in H. R. 7225. We are afraid once the provision is adopted, future political pressures could very easily result in a "cradle to the grave" security program.

Another very important item that farmers are very disturbed about is the coverage of farmworkers. As you know, under existing law farmers are required to keep records on every employee hired during the year which he pays as much as $100. This certainly works a hardship in that it requires so much bookkeeping for the individual farmer during a seasonal harvest. In fact, some farmers say it has been necessary for them to employ individuals to keep these records. I think this matter is causing more dissatisfaction among farmers than any other provision of the program. I don't feel that farmworkers should come under any social-security program but if we are going to have a law which brings them under the social-security benefits, I think before they become eligible for social security, they should work for a farmer at least 60 or 70 days. I think if we cannot get

this workday provision into the regulations, then an alternate would be to raise the minimum to $200 instead of $100.

As you know, the social-security taxes are scheduled to be increased during the next 20 years until they are 6 percent of the net income for self-employed and 8 percent on payrolls. In my opinion, if this happens, this will not be a pension program but a welfare program instead. In fact, the way I figure it, by 1975 a self-employed farmer will be paying more social-security tax than income taxes.

Anything that you can do concerning the items I have mentioned above will certainly be appreciated by myself and the farmers of Texas. Thanking you in advance and looking forward to seeing you in the future.

Yours sincerely,

J. WALTER HAMMOND, *President.*

NEW YORK 33, N. Y., *February 9, 1956.*

Hon. WALTER F. GEORGE,
United States Senate,
Washington 25, D. C.

MY DEAR SENATOR GEORGE: Since the social security law is being changed, will you please consider service-connected disabled veterans who have passed 65 years of age, and have such veterans included in the social payments?

For many years I have been a registered voter from Georgia and a member of Tom Hollis Post 34, American Legion, Forsyth, Ga.

I am a service-connected World War I veteran and received a small pension from the date of my discharge, March 10, 1920.

At present I receive a monthly pension of $101.59, and have to support my wife and self and meet expenses, and try as hard as we can, it cannot be done.

On April 28, 1930, I received orders to report at Mount Alto Hospital, Washington, D. C., to be examined for retirement as a disabled ex-Army officer; the examinations were continued until May 28, 1930.

Before leaving Mount Alto Hospital, my ward M. D. told me I had more than enough skin disability than to retire me, and I called on the commanding officer there May 27, 1930, he had his secretary to bring in my service folder after looking it over he said, "You will soon be retired and have a new perspective of life."

The examining board ruled that my disabilities had not then reached the stage to be retired.

It was common knowledge that more men from the Medical Department had received their retirement than from any other branch of the service.

Some of these men had a slight stomach trouble, but were retired.

I managed to get a written report from the Chief Clerk, War Department, about my condition at Mount Alto Hospital; the report was so awful that I lost no time in employing a New York lawyer, and sued the United States for $10,000, the amount of my life insurance policy; we collected $6,000 in the United States Court, Southern District of New York, but my lawyer got 10 percent as his fee.

I need your help, and I shall thank you to consider my case.

Yours sincerely,

JOHN M. RICHARDSON,
C–39 154.

SPRINGFIELD, MASS., *February 10, 1956.*

Senator LEVERETT SALTONSTALL,
Washington, D. C.

DEAR SIR: While one's laying on a hospital bed for some length of time he does a lot of thinking; therefore, this letter.

Preamble: I am 70 years old, self-employed, same line 40 years, own my own home and a few acres of ground; hobby, berries, vote as a Republican since I was 21.

My doctor says I must cut down on my work; I would like to cut it in half. I could have collected social-security 5 years ago but cannot live on that amount, $103 per month plus $1,200 a year. Any amount you earn over that you are penalized $2 for every $100, according to folder OSAI–1954–3; if I earned $2,080.01 in a year I lose all payments. Is that fair? There are thousands in the same position as I am in. My idea would be to raise that $1,200 to $2,400

for the 65–70 year period and abolish it from 70 upward. Then any money earned would be taxed as income less one's exemptions, no penalty on your social-security payments.

A Senator from Missouri is or has filed a bill to abolish the $1,200 at 65 years.

Administration of funds in social security. We all put in our share, as more people are included, the take raises each 5 years to cover increased costs. Bonds at 2¾ percent. These bonds are for 10 to 15 years, a certain amount of tax money must be used to pay this interest, and redeem the bonds at maturity. Every taxpayer is clipped on that deal. If 50 percent of the stabilizing fund could be put into bonds of American Telephone & Telegraph, Du Pont, Monsanto, General Motors, or any bonds that would earn 5 percent, or even 3 percent and where the taxpayer was not called upon to help redeem them such as municipal, State, or county bonds, that interest money would save millions of dollars over a period of years and the payments could be increased or more people benefited.

I believe a program such as I have outlined could be worked out, it would treat every person in the social-security bracket equal, and give a lot of people who are less fortunate than I am, from living in one room in order to keep body and soul together. Each party, Republican and Democrat, are trying to get a lead on each other to impress the voter. This, I believe, would help the Republicans to stay in power.

Trusting I have not bored you, I am,

Yours truly,

HAROLD C. LAMBERT.

WASHINGTON STATE FARM BUREAU,
SPOKANE, WASH., *February 18, 1956.*

Congressman WALT HORAN,
House Office Building,
Washington, D. C.

DEAR WALT: It is our understanding that the Senate Finance Committee plans to report out a bill to amend the Social Security Act. Farm Bureau is very concerned over some of the proposals to liberalize benefits as set forth in H. R. 7225 and we recommend that Congress establish a commission to make a comprehensive and impartial investigation of this problem before any further action is taken. We are opposed to any liberalization of benefits which would require an increase in social security taxes at this time.

As you know, the coverage of farm labor has created some terrific difficulties in reporting and record keeping where transient and part-time workers are employed. This problem is especially acute in fruit and vegetable areas where so many of these casual workers float from one employer to another. The cost and time used up in record keeping is a big burden on all employers but most especially on the small or average-size farm.

We recommend that the act be amended to make this provision more workable by either (1) exempting workers who work for 1 employer less than 60 days or, (2) raising the present exemption of $100 to $200. We think that No. 1 above is by far the best answer but that No. 2 would be better than at present.

Furthermore, we recommend that all casual day labor working on a piecework basis be completely eliminated insofar as record keeping, withholding or responsibility for payments toward social-security benefits for such worker by an employer is concerned, and that such workers be classified as self-employed and be given permission to come under social security as self-employed persons on a voluntary basis.

These recommendations are in the 1956 Farm Bureau resolutions and we seek support in making the administration of the Social Security Act workable, practical, and sensible. I wish to reemphasize that the present provisions of the act and the present administrative rulings are most burdensome upon the small and the family size farms. I am sure you recognize that this is a very important matter in many sections of our great agricultural State of Washington which ranks No. 1 in the Nation in production of apples, hops, and dry peas; holds second place in production of pears, apricots and filberts; third place in production of sweet cherries, grapes, and prunes; fourth place in production of cranberries and winter wheat; fifth place in production of alfalfa seed and all wheat. It is interesting to note that Illinois now ranks next to Washington in production of wheat as it holds No. 5 position in production of winter wheat and No. 6 position in production of all wheat.

Farm Bureau urges your support in this attempt to amend the Social Security Act in 1956.

Sincerely yours,

RALPH T. GILLESPIE, *President.*

UNITED STATES SENATE,
Washington, D. C., February 23, 1956.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR HARRY: I would like to suggest an amendment to the present social-security law which I would appreciate having included in the bill which is presently pending before the Senate Finance Committee.

As I understand it, the present social-security law has a special provision which grants low-income farmers an optional method of reporting. When the farmer's annual gross income is $1,800 or less, he has option or either reporting his net income or 50 percent of his gross. If his gross income exceeds $1,800, he may report either his actual net earnings or, if these net earnings are less than $900, he may report $900. I have been informed that this optional provision has been interpreted as applying only to individual operators and that farmers operating under a partnership arrangement are denied the privilege of taking advantage of it.

Several constituents of mine have registered objections to this interpretation, and I think they have just cause for complaint. There are numerous instances where two or more farm families are engaged in a joint operation and whose net incomes, after division, do not justify social-security payments. It would seem that these people are as much entitled to the benefits of this special provision as are those farmers who operate on an individual basis.

Harry, I hope that your committee will see fit to include a provision such as I have suggested in any social-security bill you might report. You may be sure that I will appreciate any consideration you might give to this request.

With kindest personal regards,

Sincerely yours,

MILTON R. YOUNG.

TROWBRIDGE FARMS,
Comstock, Minn., February 28, 1956.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: I note your committee is holding hearings on H. R. 7225 in regard to social security.

I am strongly opposed to any broadening of benefits. The provisions are already more liberal than the original law provided. The proponents seem to be trying to make a catchall law that will provide for anyone who needs help. Granted there are people who need help that are not covered. I am sure other means can be found to help them (there always have been). The cost of this proposed program will be terrifically increased so that I fear it will be more than doubled in a few years.

This puts a large unequitable burden on our younger people. They will have to pay longer at a higher rate. This is certainly not my idea of fair play. Is political expediency more important than fair play, commonsense or economic soundness? It looks from here that some one is trying to buy votes with other people's money. I don't like it. Let's see if we can't stop the race to give.

I believe social security for farmers should be on a voluntary basis or not at all. The farmer is different from the workingman, he is a capitalist and puts all he makes back into his business so that he will be secure in his old age. He is deprived of from $200 to $3,000 worth of capital in having to pay social security tax depending on his income and on the rate of interest he has to pay. This will be more than doubled when the rate of tax he has to pay goes up.

I am enclosing a statement I made and sent you a copy some time ago. I would like to have this letter and statement put in the record of your committee hearing.

Yours very truly,

H. M. TROWBRIDGE,
Comstock, Minn.

WHY I AM OPPOSED TO THE PRESENT COMPULSORY SOCIAL SECURITY LAW FOR FARMERS

(By H. M. Trowbridge, Comstock, Minn.)

1. Unfair to young farmers. Young farmers need their money to increase their capital. Need to buy livestock, farm machinery, pay on their land so they can farm better and build up a business that will take care of them when they are ready to retire. Every cent they have to pay in taxes makes it harder for them to do this.

2. Social security, as set up for farmers, now is really a windfall or gift to older farmers; many of them do not need any help or pension at all. The present provisions of the law lets older farmers in for practically nothing. It is the younger people and children yet unborn that will have to pay the bill. What is wrong with our older generation (I'm nearly 60) that we have to pile so much debt on younger people? To my way of thinking it is the most rotten, unjust thing I ever heard of.

3. It is not financially sound. The rates are only one-half of what the law calls for later on. We not only let the older people in for a short time but at a rate that we all know is lower than is necessary to finance the program. Why is this done? The only reason I can think of is the low rate makes people think they are getting something cheap and are more willing to pay. This is true of older people but I should think all young farmers should object very much. I would like to see a vote among younger farmers as to whether they want a compulsory social-security program or not.

4. Unbusinesslike. Any kind of an insurance company that would propose such a program of lower rates than they know is necessary would never be given a license to do business. Why should our Government do what they would not license a business to do? Anybody possessing taxing powers sure can and do unsound things. What will our grandchildren think of us? The power to tax is the power to destroy.

5. This uneconomical social-insurance program is just one more step to socialism, will curb ambition, and tend to let "Uncle" take care of us. Gibbons will have to write another history on the Rise and Fall of United States Empire.

6. I am not opposed to social security. I believe each person should provide for his own security in the way he thinks is best for himself. I am very much opposed to compulsory social security as in the present law. Why can't it be voluntary? If it is as good as the proponents and Mrs. Hobby's Department say it is—most people, except fools like myself, will join it. If people do not join voluntarily it will show they do not want it. So far no one has had a change to say whether they want it or not. The largest farm organization, the Farm Bureau, passed a resolution against compulsory social security. It seems to me that should represent the farmers' viewpoint better than Congressmen's thoughts or any other organization.

7. The only feature of the program that has any merit in it for young farmers is the insurance feature and an insurance policy that is better and cheaper can be obtained from a life-insurance company.

8. Aren't we old enough to know there is no Santa Claus: If the older farmers need social security of some kind let's call a spade a spade and give them relief and not give them the impression it is something they have earned.

9. I subscribe wholeheartedly to the following:

MY CREED, BY DEAN ALFANGF, IN THIS WEEK

"I do not choose to be a common man. It is my right to be uncommon—if I can. I seek opportunity, not security. I do not wish to be a kept citizen, humbled and dulled by having the State look after me. I want to take the calculated risk; to dream and build, to fail and to succeed. I refuse to barter incentive for a dole. I prefer the challenges of life to guaranteed existence; the thrill of fulfillment to the stale calm of Utopia. I will not trade freedom for beneficence nor my dignity for a handout. It is my heritage to think and act for myself, enjoy the benefits of my creations, and to face the world boldly and say, this I have done. All this is what it means to be an American."

(Whereupon, at 12:45 p. m., the committee recessed until 10:10 a. m., Thursday, February 16, 1956.)

SOCIAL SECURITY AMENDMENTS OF 1955

THURSDAY, FEBRUARY 16, 1956

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

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, George, Barkley, Martin, Williams, and Carlson.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order.

The first witness will be Mr. Harry Lyons, appearing for Mr. Leonard H. Goldenson, chairman of the board, United Cerebral Palsy.

Mr. Lyons, will you take a seat, sir? We are glad to see you.

STATEMENT OF HARRY LYONS, DIRECTOR, LEGAL AND LEGISLATIVE DEPARTMENT, UNITED CEREBRAL PALSY ASSOCIATIONS, INC.

Mr. LYONS. Good morning.

My name is Harry Lyons. I am director of the legal and legislative department of United Cerebral Palsy. I appear in place of Mr. Goldenson, who sent a request about a month ago to testify but, apparently, it was misdirected in the mail.

He received a telegram after the second request to appear and inasmuch as he is president of the American Broadcasting and Paramount Theatres, which has a board of directors' meeting this morning, he asked to be excused. May I present his written testimony and just call attention to a very few items in it?

The CHAIRMAN. We will insert the statement in the record, sir, and you may proceed.

(The prepared statement of Mr. Goldenson, in full, is as follows:)

TESTIMONY PRESENTED ON BEHALF OF UNITED CEREBRAL PALSY ASSOCIATIONS, INC.

GENERAL STATEMENT

Mr. Chairman and members of the committee, my name is Leonard H. Goldenson. My home is in Mamaroneck, in the county of Westchester, State of New York. I am chairman of the board of directors of United Cerebral Palsy Associations, Inc., and the father of a cerebral palsied child. My business association is that of president of American Broadcasting-Paramount Theatres, Inc.

Gentlemen, I am truly grateful to you for the opportunity of presenting this testimony on behalf of the hundreds of thousands of children, including the cerebral palsied, who come under the term of disabled individual, as defined in H. R. 7225.

United Cerebral Palsy Associations, Inc. is a nonprofit membership corporation, organized in 1948—the only nationwide organization devoted exclusively to a united attack on cerebral palsy. Its humanitarian work is supported by voluntary public contributions. Its officers and board of directors serve without compensation of any kind. National headquarters are at 369 Lexington Avenue, New York City.

United Cerebral Palsy comprises 383 affiliated State and local organizations throughout the United States.

Cerebral palsy is the general term for a group of disorders caused by injury to the motor centers of the brain which result in the loss or impairment of voluntary muscle control. The condition may be severe or very mild; many muscles may be affected, or only a few. The lack of control may be in the arms, legs, tongue, speech mechanism, eyes, or it may affect the hearing. The extent of the disability varies widely and may affect the entire range of muscular activity.

Cerebral palsy occurs most frequently at birth but it may happen at any time before birth, or in childhood or adult life as the result of an accident, illness, or infection. Anyone may be affected by the condition, regardless of age, race, economic standing or environment.

Most adults have learned as children to eat, walk, talk, and perform countless functions of everyday living quite naturally and almost automatically. This is possible because normal people, early in childhood establish delicately balanced control of their muscles so that they work together smoothly and efficiently. A person with cerebral palsy has suffered damage to the mechanisms which provide this delicate control.

When statements are made about the prevalence of cerebral palsy, that is to say, the number of cases in the population at a given moment in time, they usually stem from 1 of 3 sources. These are the estimates of Dr. Winthrop M. Phelps and the surveys in Schenectady, N. Y., and in Connecticut. Dr. Phelps estimated, on the basis of his observations in Maryland, New Jersey, and other areas that there were 7 persons born each year with cerebral palsy for every 100,000 population, and that on the average 1 of the 7 would die before 6 years of age. In terms of prevalence, this means that there are about 300 to 350 cases of all ages per 100,000 population, or a total number of cases in the United States of 500,000 to 600,000. This figure is currently used by United Cerebral Palsy.

It is estimated that there are over 200,000 cerebral palsied children in the United States under 18 years of age.

Recently, the committee on child health of the American Public Health Association, Inc., and the American Academy for Cerebral Palsy issued a booklet on the subject of services for children with cerebral palsy, carrying with it the general endorsement of the Children's Bureau of the United States Department of Health, Education, and Welfare, as well as that of many leading private agencies interested in this problem. I ask your indulgence while I quote a few lines from this booklet:

"Children who have a brain damage resulting in cerebral palsy will carry the defect for life. Long-term treatment, guidance, and training may increase the chances for a good outcome, but ultimate improvement may depend more on a combination of factors, individual for each child and difficult to evaluate: Extent of brain damage and presence and severity of physical, emotional, personality, and especially intelligence defects; timing and methods of treatment and guidance; family attitudes and the quality of the home, school, and community environments. No reliable figures exists relating to the overall end results of care for cerebral palsied children. In general, however, it may be stated that (1) some will die before their first birthday, although modern medicine has considerably improved the chances of survival; (2) in a few the condition will become worse as the child grows older; (3) approximately normal function is possible in only a few children, but many will show varying degrees of improvement in ability as they grow and develop and receive therapy and training. Children with cerebral palsy generally have more than one disability necessitating several distinctly different types of service. It is estimated, for example, that in addition to the motor limitations, children with moderate to severe disturbances may present: Mental retardation in over 50 percent of cases; speech defects in over 50 percent; visual problems in about 50 percent; hearing problems in over 25 percent; convulsions in over 25 percent. Many children with cerebral palsy will need special treatment and/or education. The number of children in this large group is also unknown. It has been roughly estimated, however, that of all cerebral palsied

children, 35 percent may need special outpatient and educational services and 45 percent may need some inpatient or custodial care."

Gentlemen, need I say more in support of that part of the bill that has to do with the continuation of child's insurance benefits under the Social Security Act?

In my testimony I make reference only to children who are afflicted with cerebral palsy because I am sure that other agencies will present their views for the hundreds of thousands of handicapped children who will come within the definition of a disabled individual as set forth in H. R. 7225.

More dramatic, indeed, would be my testimony were I to have brought with me some of these disabled youngsters but I have purposely refrained from doing so because I believe that the good work of the United Cerebral Palsy Associations throughout the land has become so well-known that no further demonstration is necessary.

May I ask you, therefore, to consider the plight of these children and grant them the relief provided for in H. R. 7225?

Mr. LYONS. We have read with considerable interest all of the opposition that has been presented in the form of testimony to this particular bill, and we hope that our small part in the bill will not be lost. We come in the tail end of the amendment that has to do with the amendment to provide for the continuation of child insurance benefits for children who are disabled before attaining the age of 18.

Now, inasmuch as there are about 200,000 cerebral palsy children, outside of other similarly handicapped children, in the United States, who might be unfortunate enough to have their parent die before the child reaches the age of 18, in most cases where there is no provision for support, those children become public wards, and throughout their entire life they are sent to all kinds of institutions which are not prepared to receive them. And that is one of the things we are working on in United Cerebral Palsy.

Cerebral palsy is a disorder caused by injury to the motor centers of the brain. A great many of these children rarely are able to lead normal lives. And if this honorable committee could see fit to recommend the amendment of the social security law to take care of these child insurance benefits, we would appreciate it very much and I am sure I am speaking on behalf of parents of handicapped children throughout the country, so that they can continue to receive these benefits after the age of 18 for the rest of their lives if they continue to remain disabled as defined in the bill.

I have a letter here which I would like to present to Senator Byrd, from Mr. Goldenson, apologizing for not appearing this morning. We know that you will consider the testimony.

The CHAIRMAN. We will certainly consider it, sir, and we will put this letter in the record, too.

(The letter referred to is as follows:)

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.,
New York 36, N. Y., February 15, 1956.

HON. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: I am terribly sorry but I shall be unable to testify before the Senate Finance Committee tomorrow. Unfortunately, your letter didn't arrive until 2 days ago, and I had made previous commitments. I have asked Mr. Harry Lyons, director of the legislative department of United Cerebral Palsy Associations, Inc., to present my testimony for me.

I realize there is quite a bit of opposition to a great deal of H. R. 7225, but there is little opposition to the amendment to continue the children's benefit. I hope that you will be able to give this favorable consideration.

Very truly yours,

LEONARD H. GOLDENSON,
Chairman of the Board, United Cerebral Palsy Associations, Inc.

The CHAIRMAN. Tell Mr. Goldenson we are sorry he could not be here.

Mr. LYONS. I will tell him.

Thank you very much for permitting me to testify first.

Senator CARLSON. I would like to say, Mr. Chairman, that it is mighty fine that we have people in this country who will devote time and effort gratuitously to these people who are affected by this and afflicted by this. I certainly am grateful for their spirit.

Mr. LYONS. Thank you very much, sir.

The CHAIRMAN. The next witness is Miss Mary Switzer, Director of the Office of Vocational Rehabilitation, Department of Health, Education, and Welfare, who has rendered a very distinguished and valuable service.

Miss Switzer, I understand that this is your birthday. I do not know whether you want to be reminded of it or not, but we wish you many happy returns.

STATEMENT OF MISS MARY SWITZER, DIRECTOR, OFFICE OF VOCATIONAL REHABILITATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY DONALD H. DABELSTEIN, ASSISTANT DIRECTOR FOR PROGRAM PLANNING

Miss SWITZER. Mr. Chairman, that certainly is very thoughtful and sweet of you. I feel very honored to be able to tell our story to your committee.

I know it is not a novelty to you. All three of you gentlemen have good rehabilitation programs in your States, and you and I, Senator Byrd, have to keep after Virginia, to keep it up there, you know. Senator George is way ahead of us in Georgia. But we have to kind of catch up with him if we can.

Senator CARLSON. Mr. Chairman, I want to join in this birthday congratulation. Miss Switzer has been of much help to us in our State of Kansas. We are familiar with her work. It has been splendid, and it has been a lot of help to us.

Miss SWITZER. Thank you, Senator Carlson.

You know, Senator Carlson and I are on the board of the Menninger Foundation. Some time I thought it would not be a bad idea to be a citizen of Kansas. But a Virginian should not say that, perhaps.

Senator CARLSON. We would welcome Miss Switzer, I assure you.

Miss SWITZER. That is very nice.

Mr. Chairman, I think that it is particularly pertinent that we have an opportunity to discuss the vocational-rehabilitation program and the whole question of disability, when you have before you such a comprehensive piece of legislation as H. R. 7225. The amendments that were passed in 1954 making such a point of rehabilitation as the social objective in relation to disability and in connection with the administration of the freeze, make it very appropriate that at this time we take a look at where we are and how we have gotten here and where we are going.

Just for the record, I would like to say that my testimony will not cover questions of policy on H. R. 7225, because they will be dealt with by Secretary Folsom when he appears before you. But I do want to discuss the present vocational-rehabilitation program, the

progress under the amendments that were passed in 1954, and to show insofar as we have current information to do so, what has happened as a result of the disability freeze program.

Just a word of history: I always like to remind people that the vocational-rehabilitation program is one of our traditional grant-in-aid programs and was established by the Congress in 1920. It probably was the first grant-in-aid program of service to people. It grew out of the vocational needs that were shown up by the First World War and the fact that people with certain disabilities need not be written out of the labor market.

In 1943 and again in 1954, Congress, practically unanimously both times, enacted legislation greatly broadening the scope of the vocational-rehabilitation services, and substantially increased Federal support of this vital activity.

Now, throughout the whole 35-year history of this activity, the purpose of vocational rehabilitation has remained unchanged, that is, to develop and restore the ability of physically and mentally handicapped people to engage in productive work. Although the methods have changed and the atmosphere has changed, one other thing has remained constant, too: we have constantly felt that the dignity of the individual and his entitlement to equal opportunity was the spiritual and philosophical motivation of the program.

This is still our objective, and gradually, through the years, I think, this objective has become philosophically, a part of the service base of a good many of our health and welfare programs, and we hope eventually for all of them.

Now, I like the quotation that I would like to read to you from one of the speeches that Secretary Folsom has made. It states so aptly what we feel is the need of rehabilitation at this time. He said just a couple of weeks ago:

> We should not be content with programs—worthy as they are—which simply relieve human want after it has developed. We must look ahead and head off problems before they become acute. We must emphasize the services which help restore persons in need to independence and a better life. This approach requires imagination, hard and practical thinking, and a willingness to face up to the problem.

And rehabilitation certainly does need these attributes: "Imagination, hard and practical thinking, and a willingness to face up to the problem." We are trying in the public program to realize this ideal.

Now, this public program of ours operates in all 48 States and in the District of Columbia, Hawaii, Alaska, Puerto Rico, and the Virgin Islands. It is operated, in most places in the State departments of education. In several States, the services for the rehabilitation of the blind are in separate commissions or in the departments of welfare.

Now, just a word about what rehabilitation is and what services this public program provides. And I would like to——

Senator MARTIN. Mr. Chairman——

The CHAIRMAN. Senator Martin.

Senator MARTIN. I am very much interested in the quotation that you gave there from the Secretary, and I am very much for this rehabilitation program. Having had a great deal of military experience, it has been a lot of pride for me to see how badly wounded men really almost become self-supporting.

But I am wondering if one of the things it is not necessary to do in our country is again to instill family pride, that everyone in that family is being cared for in some way by the family, and then with the assistance and rehabilitation, whether or not we do not have to get that good old American spirit back again.

Mr. Chairman, I think it even goes to a matter of patriotism. So many people are beginning to doubt the greatness of our ideal of government. I think the first organization of government is the family itself, and by assisting those unfortunate in the family, then the family will do some helping. And I wonder whether or not we should not instill that in the minds of our people.

Miss SWITZER. I think your point is extremely well taken. As a matter of fact, in the process of providing services for the disabled member of the family, the attitude of the family and their ability to agree to what has to be done to help the disabled person to become self-supporting, is all-important.

One of the interesting facts that I think you would be pleased to know about is that the rehabilitation counselor, who is the anchor man and the one who arranges for rehabilitation, is required, in many States to visit the family and secure their understanding before rehabilitation services are undertaken.

This is important, because the presence of disability in the family—particularly if it is a wage earner or someone who is very severely disabled and requires a lot of family care—has very disrupting influences at times. For example, last year in the public program, there were 58,000 people rehabilitated back into productive employment, and probably 80,000 more people were involved through family relationships.

Likewise, in connection with the relationship of this disability to the assistance programs and relief: Between 11,000 and 12,000 of that 58,000 were on public assistance at some time during their rehabilitation. It is important therefore to have family support and family understanding and community support and community understanding, because motivation and the spiritual urge to take advantage of rehabilitation services are fully as important as the material method of doing it.

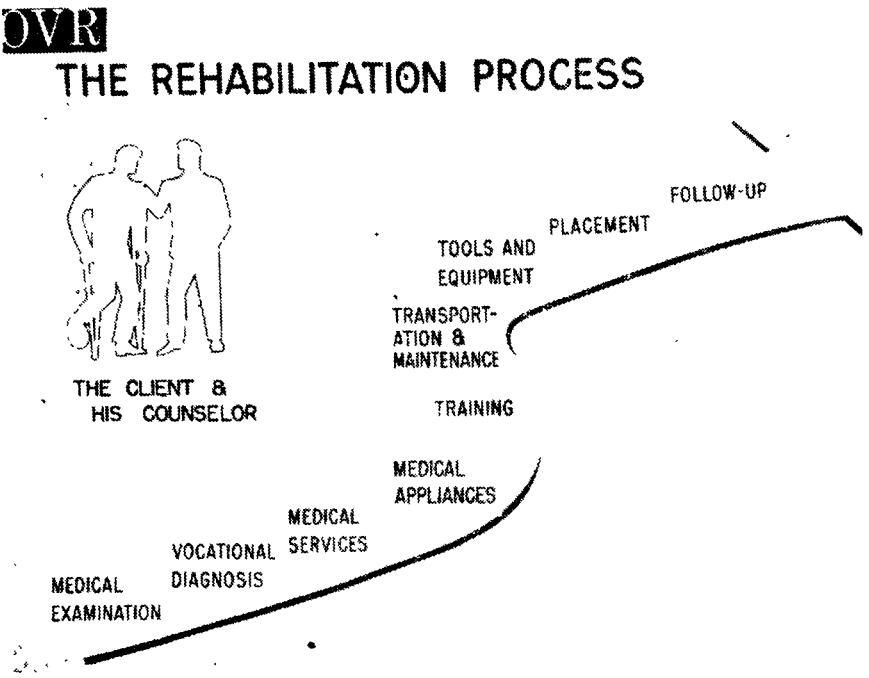
So I would agree with you 100 percent.

I wonder if we could have our chart that shows—we call it the snake chart—that shows the rehabilitaion process in a rather graphic way. I would like just to describe what takes place when a person is referred to the rehabilitation agency.

Miss SWITZER. First of all, disabled persons are referred to the rehabilitation agencies by many sources—by doctors, hospitals, schools, and oftentimes by a neighbor or by a welfare department, and so on. The first thing that happens is that he meets his rehabilitation counselor.

Either his counselor calls on him or he goes to the office, depending upon what the situation is—whether he lives in a big city or a rural community. Immediately after contact has been made, arrangement is made for a general medical examination.

This is done in the local community, most ideally by the person's own physician or by a physician that is accustomed to working with the agency. Even though his disability might seem obvious—sup-



posing he would have one leg and he would need an artificial appliance, or he would be obviously deaf or something of that sort—we feel that a general physical is necessary, because so often more than one disability is present. In planning for services, we want to have the whole story.

So first the general medical examination. This is given to everyone who comes to a rehabilitation office for service. It is part of the process of diagnosing his need. Since our program has as its end result a job—and no one is considered rehabilitated unless he is placed in a job—the vocational diagnosis is very important.

If a person can go back to his own job, that is one thing. If he cannot, he may have to be retrained. For example, a person who has been a telephone lineman breaks his back; he obviously has to be trained for something else. So we have to find out what they want to do; what they can do; and how they can be accommodated to it. Then the plan is developed for the medical and social and vocational services.

Now, if the individual needs medical services or medical appliances, and cannot afford to pay for it—and the majority of our people would be—then these services are paid for by the State agency out of the funds which are jointly provided by the State and the Federal Government. And these services are given depending upon the place where the person lives and whether or not there is a rehabilitation center near, whether he needs to go to a hospital or not.

Now, increasingly as we get into the more difficult cases people have to be taken, oftentimes away from where they live and brought to the few places where they have rehabilitation centers. We have one in Virginia, the first and really the only publicly operated rehabilita-

tion center, operated by the State Rehabilitation Agency at Fishersville, Va. This is a center that has about 350 people there on any day of the week, about half of whom come from all over the country. The last time I made a count they came from 21 States. Really one of the thrilling things is to visit this center at noontime during the lunch period. You will see more than 300 people, with all types of disability. Perhaps half of them will be in wheelchairs or on crutches and braces, carrying on their lives there and learning one of perhaps 20, 30, 40, or 50 trades.

The CHAIRMAN. Miss Switzer, if I may interrupt you, I had a man in my orchard that had his hand cut off, pulled out right here by a grader, and we sent him to Fishersville, and they fixed him up, and now he can do nearly as much work as he could before.

Miss SWITZER. We have a young man in our office who had both of his hands cut off when he was a young boy in a chemical accident. He was quite a famous case here in the District. His hands were severed at the wrists. He has two hooks, and really it is miraculous the things he can do.

The CHAIRMAN. He is even milking a cow. It is remarkable. That school is doing a great work.

Miss SWITZER. It is doing a great work. These people come from all over—from rural areas and small towns. It is very thrilling to see what has happened in Fishersville.

We are not fortunate enough to have facilities like that everywhere. People come from long distances to Fisherville and to Dr. Ruska's center in New York. Last year—Senator George, you will be interested in this—I think there were about 49 very severely disabled Georgia people who were sent to Dr. Rusk's center—paraplegics and people who were paralyzed from the neck down and some who were victims of heart disease. Of that number, which is, after all, half a hundred people, 24 are at work and 23 are in the process of training, and only 2 out of that group are dependent.

I think that is a wonderful record. When you think of what it means to send people from Georgia, and many times from the rural counties of Georgia, up to New York to go through this comprehensive, tremendously complex set of services, and then to feel that they can go back to Georgia and work or have their own small business—it is really quite exciting.

Well, so much for that part.

Then the training. Sometimes it is combined, as I have described it at Fishersville, with medical rehabilitation. Sometimes it is done differently. Now in most States, training is given without requiring an economic needs test. The State agencies provide that through their public institutions if they. If they cannot, they arrange for private instruction. The philosophy behind this practice is that an education is the right of every citizen, and that if they are handicapped and they are not able to go through the regular school system, then some accommodation has to be made to equalize that opportunity.

Training may also be secured from vocational schools. Sometimes specialized courses have been worked out. For example, some of the most exciting ones that we have now are the courses to train blind people to work in the photographic laboratories. They have become really more adept than sighted people in the darkroom process. Likewise in the typing of notes from the machine, the blind dictaphone op-

erator has become very much a part now of our office structure. And blind men on the production line have been an exciting development since the war.

Transportation and maintenance are provided if needed, if a person has to go away from home. Here again, the family comes into it, Senator. The family can sometimes provide for the person if he stays at home, but they cannot quite handle it if the person has to secure rehabilitation services away from home.

It is our philosophy to secure the best program of services that can be worked out—that is in keeping with where he lives and what he has to do. That it what we try to get for him.

So we work with the family to see how the maintenance can be provided. If transportation is necessary, that is provided, too.

When all of this is accomplished, the person is then ready to be placed in work. One of the very important responsibilities of our rehabilitation counselor is an understanding of the labor market in the community, the fitting in of the person into the labor market, the building up of relationships with employers, and gradually breaking down resistance to the acceptance of disabled workers.

Now, oftentimes, the operation of small businesses offers the best employment, such as the blind people operating vending stands in public buildings, others with watch repair shops, and shoe repair shops. There are thousands of small businesses all over the country that have been assisted through this program along with placement in the job, there is followup for a sufficiently long period to be sure that a person is well set and that there is no problem of adjustment in the job.

Just as a matter of interest to you, we do not count anyone rehabilitated who has not worked at least long enough to be sure that it is a real, firm placement.

Of course, sometimes we have to transfer the person from one job to another. During the war, for example, when there was such a dearth of trained people, employers often would be reluctant, say, to take a blind man, because they would feel, well, if he didn't work out, they never could fire him. After all, you know, everybody is human.

So usually the State agency takes the responsibility of helping retain and replace someone if he is not satisfactory. But an amazing number are placed where it is planned that they will go, and there is where they work for most of their working lives.

This process is basic to the whole rehabilitation program and is the kind of service that our Federal-State program is built on.

The CHAIRMAN. To what extent does the workmen's compensation fund pay for this?

Miss SWITZER. Well, this is a very difficult problem. I think one of the weak links in our rehabilitation services, taking it nationally, is the relationship between workmen's compensation medical care and rehabilitation. Something has happened somewhere along the line in the philosophy that has guided workmen's compensation practices, so that they have not made it easy to have their people go into rehabilitation.

Now, some States do an excellent job. I do not know how many. Perhaps in a dozen States—Mr. Dabelstein, would you say—the compensation fund actually pays for some of the rehabilitation services

either by transfer of funds to the rehabilitation agency or by really close cooperative relationships. But this is the exception; this is not the rule.

One of the great efforts that we have been making over the past several years is to try to develop with the compensation agency a better philosophy of rehabilitation.

Now, where you have a close tie-in of medical care that includes rehabilitation, you find a tremendous difference between the amount of permanent and total disability that results from an injury. This is particularly true in industrial accidents.

Now, I suppose your committee sooner or later will hear from some of the insurance people. The Liberty Mutual Co., for example, was a pioneer in the development of rehabilitation centers, and started in to take the responsibility, as an insurance carrier, for providing rehabilitation services. I think that it is a very important area. It is by no means satisfactorily solved, but we are making progress.

In the Canadian experience, which in many ways is not too comparable to ours, but still has some lessons for us, they have a requirement that rehabilitation is absolutely tied in to compensation and medical care. The percentage of permanent and total disability cases resulting is far less than it is in most of our States. We have a wide range, from 7 to 60 percent in some States, and Canada has a range only of about from 3 to 5, something of that nature.

So it is a very, very difficult and much needed emphasis.

Senator MARTIN. Mr. Chairman, I would like to ask the question now. Maybe it is not the appropriate place.

To my mind it is not a serious thing. I think when we take into consideration the improvement of morale of the individual, that is the thing we ought to consider in this. But do you have any figures as to what saving financially we may have by this rehabilitation work?

Miss SWITZER. Yes. That is just my next paragraph.

Senator MARTIN. I am sorry.

Miss SWITZER. That is all right. I am so glad you brought that up.

Yes, the economics of rehabilitation I think is very interesting. As you say, the human side of it, we take for granted, yet we know that it is there. But the economics of rehabilitation—I would like to mention especially three points in referring to our second chart.

First of all, the wage part of it. Now, as we say, the end result is wages. We want people to be at work and be self-supporting if they can be. So take the 58,000 people that were rehabilitated last year, and take a look at their earnings before they were rehabilitated. You will find that the vast majority, three-quarters of them, were unemployed at the time they were accepted for rehabilitation.

There were 20 percent, just one-quarter, employed part-time, but probably below the level of independence. Of the total number that were unemployed, one-fifth, or 20 percent, were on relief of one kind or another before they were rehabilitated. This small employed group was earning at an annual rate of about $16 million a year.

Now, after they were rehabilitated, they were all employed, and their annual wage was increased to $106 million a year. So you have this great addition to their productive capacity, to the money that goes into the community, in purchasing power, and a base for taxes.

We have done many studies and checked with the Treasury and had

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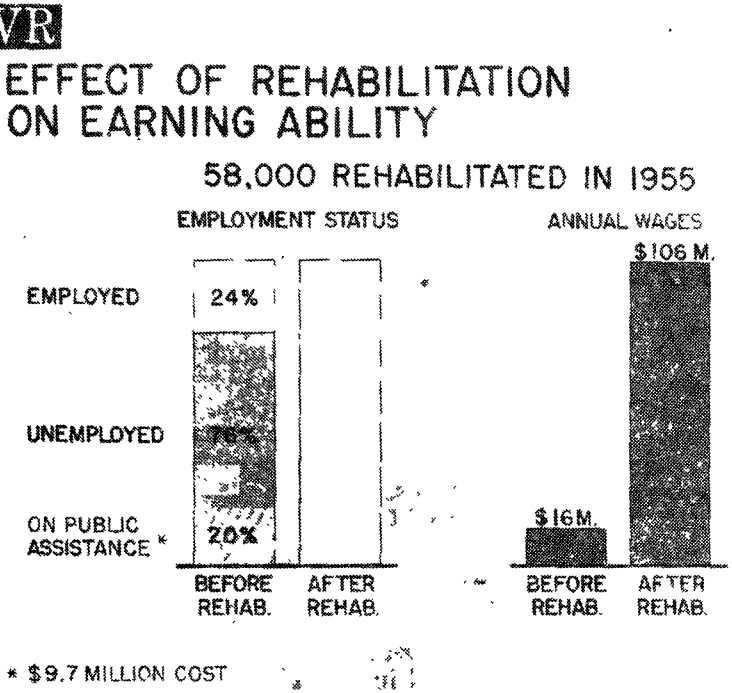


the Internal Revenue people work with us on it, with the result that it is conservatively estimated that $10 of Federal income tax is paid by every rehabilitated person for every $1 that is invested in their rehabilitation—just Federal taxes alone. That is in itself, I think, a very striking figure.

Another figure that I think is very interesting is the fact that rehabilitated workers add man-hours to the productive capacity of the Nation. I feel that one of the differences between high prosperity and less than high prosperity is the capacity of all of our communities to produce to the maximum. Fully as important as the wages this group of people earn, are the man-hours of productive effort that go into the total economy. It is a double-edged sword. If they are working they are producing, and if they are not working they are taking out. It may be a subtle thing, and I am not enough of an economist to draw any diagrams, but I think it is a very important point.

Senator MARTIN. Mr. Chairman, that is all very important. It is not the number of man-hours that we have in our Nation. It is the production per man-hour.

Miss SWITZER. That is right.

Senator MARTIN. That is what makes us a great country.

Miss SWITZER. That is what makes for the prosperity that we have.

Now, another very important point is the relationship of rehabilitation to public assistance, and to relief generally.

When you think, for example, that one-fifth of those 58,000 people were on public relief prior to being rehabilitated, the cost is substantial. It costs about $10 million a year to maintain just this one group on public assistance.

We feel that a very large part of the bill that our Department pays for public assistance arises out of disability. Last year I think perhaps about $1 billion was paid out in State and Federal funds by the States for public assistance other than for old-age assistance. Perhaps a half billion dollars of that was paid because of neglected physical disability. In this period of full employment, to have relief costs mounting seems to me to be quite a challenge to do everything we can to reduce the cost to the community and to the country. More important is to take an affirmative and positive attitude toward disability, so that we have producers and not consumers, as we say, of the tax dollars.

Now, rehabilitation has another very important financial aspect which I can illustrate with just one disease category, and which I think is interesting for that reason. We mentioned briefly the relationship of rehabilitation to workmen's compensation and the probability that if we had a proper gearing in of rehabilitation services a good deal of permanent and total disability might be lessened.

Take a disease like tuberculosis, which we can measure pretty well. A person has to be taken out of their community. They have to be put in a hospital. They are immobilized for a long period of time, and with mounting hospital costs it is terrific. On a national scale, it costs about $14,000 to get a person well from tuberculosis. It is terribly important, therefore, that when you get a person well you keep him well, because tuberculosis has a very high relapse rate.

I think anyone who has lived in a family where there has been a victim of tuberculosis, as I happen to have, realizes what a terrific toll is taken if the rehabilitation potential is not recognized.

One study done in New York, I think, is extremely interesting. There were about 500 patients studied. Half of them had rehabilitation and the other half did not. That was about the only difference between them. As you will note in our third chart, of those that did not have rehabilitation there was a far higher percentage of relapse—62 percent in contrast to 26 percent. This means that somewhere near $14,000 was spent again and again and again. Another very significant fact, which is equally interesting, was that 5 years after discharge, the people who had rehabilitation, 85 percent of them were working, and of the ones that did not participate only 47 percent were working.

Miss SWITZER. So in this group and in many other disease groups you have a direct relationship very, very readily figured on the value of rehabilitation to your total health care.

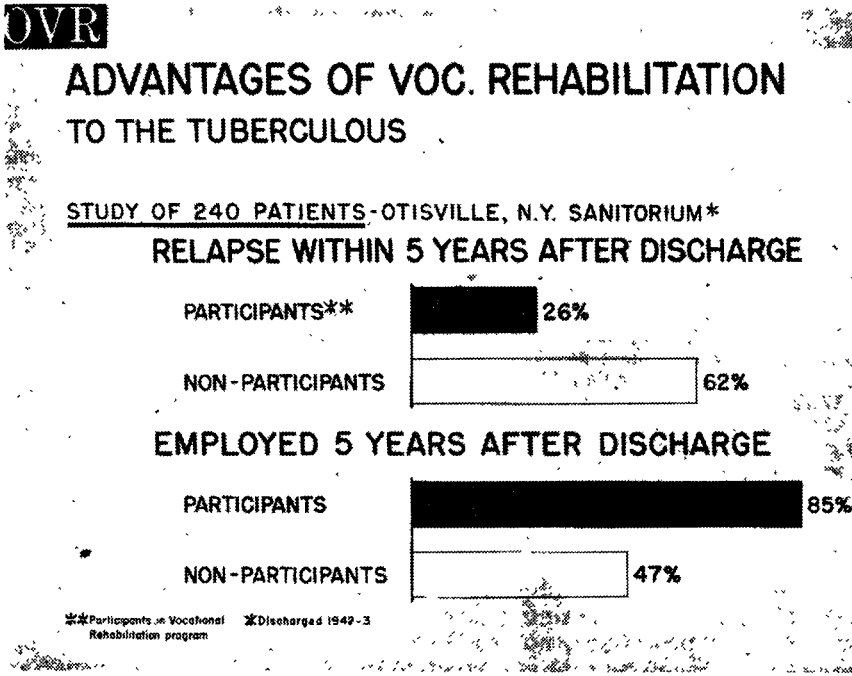
You have it in your mental hospitals, you have it in your tuberculosis hospitals, and in most of your chronic-disease hospitals.

Senator BARKLEY. May I ask you there about tuberculosis? You take people who have tuberculosis, and we are very proud of the fact that we have been able to reduce very materially the deaths and disabilities due to tuberculosis, if you get it in time.

Miss SWITZER. That is right.

Senator BARKLEY. After they are rehabilitated, or supposed to be rehabilitated, they leave whatever institution they have been in, or whatever treatment they are under, and go back to work, apparently cured.

Miss SWITZER. That is right.



Senator BARKLEY. What percentage of those who reach that stage later relapse into inactivity because of a recurrence of the disease?

Miss SWITZER. Well, I am not sure exactly how many.

Do you know, Mr. Dabelstein?

Mr. DABELSTEIN. No.

Miss SWITZER. But more than should. That is for sure, and I think there are 2 or 3 ways that relapse could be minimized. First of all, to keep them under treatment, both medical and vocational, until they have regained a maximum amount of their own strength, and then, what is extremely important, match the job to their physical tolerance.

Now, a good many of the breakdowns occur because people go into the wrong kind of environment after they have recovered, or they return too soon to a full day's work. This is one of the reasons why workshops, like the Altro workshop in New York, are so valuable in giving people an opportunity to work, say, 4 hours a day then 5 hours a day and on until they reach the maximum number of hours that are required for a full working day.

I think there is another consideration about tuberculosis and that is the effect of good medicine. This is true not only in tuberculosis but in other diseases as well. The presence of new drugs and the tremendous miracles that they can perform and have performed sometimes deceive us as to the ultimate effect of them.

In tuberculosis, I am told by some of our colleagues, particularly those that are working in local communities in the TB associations, that there are a tremendous number of persons with active tuberculosis walking around under the drug therapy, or supposedly under it, that really would be benefited faster if they could be hospitalized for a reasonable length of time.

I will get this national figure for you, Senator, if you would like it, on the relapse rate.

Senator BARKLEY. I just was interested to know what it was.

Miss SWITZER. Yes, I will get it.

(The information requested follows:)

National data on the rate of relapses among persons with tuberculosis are not available. Several studies have been made by the Public Health Service which cast some light on this problem.

On the basis of a study of 23 tuberculosis sanatoriums, readmission rates between 1948 and 1952 averaged 27 percent, with a range from 12 to 51 percent for individual sanatoriums. A readmission is usually defined as a patient who has previously been hospitalized in the same institution. The diseases may or may not have been arrested at the time of the previous discharge.

In a recent study by the Public Health Service of persons who were reported to the health department as having inactive tuberculosis, it was found that the disease reactivated in about 14 percent within about 2½ years.

Within recent years the methods of treatment of tuberculosis have changed markedly. The effect of the newer methods of treatment on the relapse rate is not yet known.

Senator BARKLEY. Tuberculosis, I think, is one disease in which there might be a larger percentage of relapse than in some others.

Miss SWITZER. I think there is. And I think that tuberculosis is one disease that we know we can do something about. I think the most discouraging thing that we have to face is, when you know what to do about something and you know that you can help persons by a certain procedure, not to do it is a worse crime than if you cannot do it when you do not know how.

Now, we do not know what the cure of cancer is. We can only do certain things in that field. But we do know that if we follow certain procedures in tuberculosis, we can bring people back to health and safeguard it. I think we should recognize that and do what we can.

Now, just a word about our attitudes toward disability as a whole and how these attitudes are changing and modernizing as we get new ideas.

I think we were all very shocked in World War II when we realized that by the military standards, about 40 percent of us were not fit for military service. I can remember the tremendous shock it was when those figures were first given out.

Senator MARTIN. Mr. Chairman, along that line, don't we have higher standards now? I guess if we had had, in the Revolution, the standards of military acceptance now, General Washington would not have been accepted.

Miss SWITZER. That is what I understand. He would have been a IV-F. That is right.

Senator MARTIN. Of course, we are tested to a very high physical standard now, because of——

Miss SWITZER. The high mechanization.

Senator MARTIN. Well, during the Revolution, you carried a rifle.

Miss SWITZER. That is right.

Senator MARTIN. Now, you have a half-dozen other things.

Miss SWITZER. Yes.

If you ever look at a pilot getting out of a jet plane with all of the stuff he has on him, you can really see what he has to put up with.

But I think that along with the negative things we learned during the selective service experience of World War II, we learned one very

remarkable positive fact, and that is that the handicapped made a tremendous contribution to our productive war effort.

I always like to say there is no greater breaker down of prejudice than necessity. When the labor market gets tight, it is twice as easy to find jobs for people as otherwise. During the war, amazing things were demonstrated. It was during the war that the blind broke into to industrial production line, and the deaf became extremely valuable in handling secret files.

Sometimes we felt that perhaps there were occasions where a disability really became an advantage, and if one were to organize the job around it, it was an asset rather than otherwise.

Then another thing that I think we have learned as we have gone along is that our modern medicine and the things that we are doing are miraculous in one way, but they create problems for us, too in another. We do have a spectacle, for instance, of tremendously successful surgery being able to arrest some of our more serious chronic diseases. And then what happens? People live longer. And do we have what it takes to make life worthwhile for them?

I think that is the big challenge to rehabilitation.

Now, another phase of modern life which is giving us a tremendous amount of concern is, of course, the rate of accidents in automobiles. One extremely disheartening spectacle is, if you go to any rehabilitation center in the country—Fishersville or anywhere else—you will find youngsters who had their backs broken, their necks broken, or their spinal cord severed in an automobile accident. They are paraplegics—just kids 21, 22, and 23 years ago. Some of the most exciting rehabilitation that I have observed in the last several years is with these youngsters. At first they become absolutely disconsolate, dejected and hopeless when they realize and their families realize that they may be confined to a wheelchair for the rest of their lives.

Well, gradually, their spirit comes back; they are trained, and most of them are able to live a productive life.

Most of the paraplegics after World War I, of course, died before they became a problem. But now most of the paraplegics of World War II are alive and most of them are working. The same is true of the paraplegics in civilian life.

All of these severely disabled people who require comprehensive rehabilitation services—there is almost no condition that you can name that we cannot show you some case that some State agency has been able to do something about. Arthritis, for example, we usually think of as a disease for those of us that are getting along in life. Actually, one of the most pitiful conditions crippling the young is rheumatoid arthritis. Pennsylvania has done some very fine things with some of their young arthritics.

There was one boy that was so crippled he could only use one hand and arm. He still had his spirit, first of all, and a tremendous artistic ability and urge. He is now earning a very good living as a commercial artist.

There is a young girl in one of the coal-mining towns in Pennsylvania who is also an artist. She is almost the most severely disabled person I have ever seen. She entered a portrait in the national art contest for the handicapped a couple of months ago. Her spirit and her ability are just phenomenal.

The CHAIRMAN. Would that particular person be eligible for permanent disability under this law?

Miss SWITZER. Under this law? Well, it all depends on your definition.

The CHAIRMAN. I mean, if it had not been for the efforts of rehabilitation, would she have been eligible?

Miss SWITZER. Oh, unquestionably.

Senator MARTIN. Yes, she would, Mr. Chairman.

Miss SWITZER. Unquestionably, I would think so.

The CHAIRMAN. I would like you before you conclude your testimony to give your opinion as to how many could be saved, so to speak, by rehabilitation rather than come under the permanent disability clause of this bill.

Miss SWITZER. All right. I will put that in my subconscious and see what I can do about it.

(The information requested follows:)

An exact answer to this question is not possible at this time. With the exception of presumed disability for blindness the definition of disability in H. R. 7225 is identical with that for the "freeze" provision adopted by the 1954 amendments to the Social Security Act. Experience with the vocational rehabilitation of beneficiaries of the disability freeze has been too limited and of too short a duration upon which to draw even tentative conclusions. Through December 31, 1955, a total of 37,358 disability "freeze" applicants were referred to the State vocational rehabilitation agencies. Of this number, 9,084 or 24.3 percent had been accepted by the State agencies to assess their rehabilitation potential.

Senator MARTIN. Mr. Chairman, I think that is very important.

I would like to make this observation as we are going along. You are talking about the number that are now being disabled by automobile accidents. But along on the other side, we have less disabled now in the mines and the factories because of preventive measures.

Miss SWITZER. That is true. I imagine that is true, although that is offset, again, by the increase in our working population. I think people are much more accident conscious. We do not have the kind of industrial accidents that we had a generation ago. You know that.

Senator MARTIN. You mentioned Pennsylvania a moment ago.

In Pennsylvania, a great number of our casualty insurance companies now have engineers going into the mines and into the factories that they are insuring, and they make suggestions as to where there can be safety appliances.

Miss SWITZER. Yes.

Senator MARTIN. Take, for example, now, in a coal mine you very seldom, if ever, use wood to prop up the mine.

Miss SWITZER. Yes.

Senator MARTIN. It is a new process. It is by steel.

Miss SWITZER. That is right.

Senator MARTIN. And a good engineer can go into a mine and he can look way in the future as to dangers.

Miss SWITZER. That is right.

Senator MARTIN. And they correct those dangers before the accident occurs.

Miss SWITZER. And believe me, when you have an accident in a mine, it is a serious one.

Senator MARTIN. Yes. But we do not have many of the very serious ones any more.

Miss SWITZER. You do not, no.

Senator MARTIN. When I was a young man, we often had in Pennsylvania mine disasters where there would be a hundred killed.

Miss SWITZER. Yes, I know.

Senator MARTIN. There are a lot——

Miss SWITZER. Well, they had a good backlog of severely disabled miners in some of the States, if not in Pennsylvania, when the United Mine Workers started their program of rehabilitation. But again, they were able to take those people—some of them had been in bed as long as 17 years—and they were able through rehabilitation to do phenomenal things for them.

It is really one of the thrilling things, I think, that has happened in the mining industry.

I remember after speaking on rehabilitation at the National Safety Council meeting last year in Chicago, listening to an engineer discuss advances in the propping of mines. It gave great hope of eliminating the cave-in of mines.

Senator MARTIN. Yes. It is almost eliminated now.

Miss SWITZER. I suppose in the big, well organized mines.

Senator MARTIN. It is almost eliminated now.

Senator CARLSON. Mr. Chairman, before Miss Switzer leaves this, I think this is one of the most important parts of her testimony in regard to the changing concept of disability. I believe we are in that period and I think it is very important.

Miss SWITZER. That is right.

Senator CARLSON. And I have here a report of the Task Force on the Handicapped by the Chairman of the Manpower Policy Committee, Office of Defense Mobilization, January 25, 1952, and I am not going to read this whole section, but I would like, Mr. Chairman, just to read a sentence or two:

> The idea of disability itself is outmoded. When a specific "disability" does not in truth disable, the "disability" ceases to be a disability. Yet there remains the question of securing acceptance of this changing concept by employers and the public.

I would like to ask that this short section be made a part of the record.

The CHAIRMAN. Without objection, that will be done.

(The material above referred to is as follows:)

RESOURCES FOR REHABILITATING AND EMPLOYING MORE HANDICAPPED WORKERS

1. THE CHANGING CONCEPT OF DISABILITY

When physical standards were drawn up during the first and second decades of this century, they were influenced by the "anatomical" concept of medicine which was then in sway. Competence was measured in terms of anatomical perfection. A man was either fit or unfit to work, depending on whether or not he was anatomically whole. It was all or none—a man could do the whole job or none of it. He was disabled for all work if he was disabled for any part of it. The physiological or functional phase of medicine had not yet entered the picture. In those earlier days, there was perhaps partial justification for the "perfect anatomical specimen" concept of man, since jobs were not as specialized and subdivided as they have come to be during the last three decades.

Times have changed. In many types of employment, a man works on a part of a job. Many machines can be operated by the blind; they do some jobs better than the sighted. Many jobs are done while sitting and are easily done by those with heart trouble or circulatory difficulty of the legs.

Similarly, changes in disability have influenced our attitudes toward old age. It is now recognized that there is no chronological dividing line between competence and incompetence. Whether or not a person can work after age 65 is an individual matter. In fact, the disability of aging is undergoing a revision.

The idea of disability itself is outmoded. When a specific "disability" does not in truth disable, the "disability" ceases to be a disability. Yet there remains the question of securing acceptance of this changing concept by employers and the public.

During the past 10 years, there have been developments in the several fields relating to disability which have radically broadened the extent to which handicapped persons may be restored to activity and gainful employment. Because these developments have not occurred in a single dramatic step, their significance frequently has not been fully comprehended. Taken together, they already have made it possible for thousands of disabled men and women who, 10 years ago, would have been considered hopelessly impaired, to resume active lives and to enter the labor force as self-supporting citizens.

Senator CARLSON. I would like to ask Miss Switzer if she was not a member of this task force committee, or at least a consultant on it when this was prepared.

Miss SWITZER. Yes; I certainly was. We were really very excited about this report. It was a study that was done just at the beginning of the Korean conflict—the task force was composed of labor, management, and professional people in rehabilitation, under the chairmanship of Dr. Klumpp, who himself is a doctor and the president of Winthrop Drug Co.

This theme really was the clarion call of that group. We feel it is our sort of motto. You know, the motto of our Department of Health, Education, and Welfare is "Spes Anchora Vitae," "Hope, the Anchor of Life." And, of course, we think that is rehabilitation. We have taken that motto and made it our own. We think it was written for us.

But I would not want to convey the impression that there are not many, many people who, because of many circumstances, not always under their own control—that every disabled person can be rehabilitated vocationally. That cannot be done. But I think we are so far from what we can do that we need to concentrate on the positive. We want to try to reach some level of service that will take care of the current need and then try to cut into the backlog. That is the reason we have our new vocational rehabilitation legislation and have made such strides in the last couple of years.

I am very grateful to you, Senator Carlson, for putting that in the record, because that is a favorite paragraph of mine. I think it is grand that you were able to come upon it. I would say you have done your homework pretty well.

I want to say one word, and I think this will be of special interest to Senator Carlson, and maybe we can make a few converts; that is, the importance of rehabilitation in the field of the mentally ill. The public program of rehabilitation has been giving rehabilitation services to an increasing number of the victims of mental illness. One of the exciting developments of the last several years is the way in which our vocational rehabilitation counselors have been able to work with patients in State hospitals and help prepare them to return to the community. We pioneered in this in Kansas.

Senator CARLSON. Mr. Chairman, I cannot let this opportunity pass. I hope you do not feel this is egotistical on my part, but I think I take more credit in the progress made in the mental-health

program in the State of Kansas during my administration as Governor than any one thing we did.

Miss SWITZER. I take quite a bit of pride in it, too.

Senator CARLSON. Yes. Miss Switzer was very helpful. She cooperated through Dr. Menninger of the Kansas Medical Association, and our State was well at the bottom of all the States of the Union in caring for the mentally ill. I would not say we were No. 1 at the present time, but I am sure we are in the first four.

Miss SWITZER. I would say you made almost No. 1 progress, though, in closing the gap. There are very few States that have done much more than Kansas in such short period of time.

Senator CARLSON. It really has been a wonderful program, and, of course, it was not through my administration as Governor, but through the cooperation of the people and everyone concerned. We just took hold of this, and we voted money, and it is really working, and I would recommend it to any State in the Union.

Miss SWITZER. Yes. It is wonderful.

Senator MARTIN. I would like to say this off the record.

(Discussion off the record.)

Miss SWITZER. I would like this to go on the record, though, Senator Martin. In the last couple of years in Pennsylvania there has been unusual use of the vocational rehabilitation counselor—through opportunities under the new act—in the mental hospitals. Pennsylvania experimented in assigning a counselor to one mental hospital. Now they have a statewide program in Pennsylvania in which counselors from the vocational rehabilitation agency are working with the public mental hospitals to the great advantage of the patients there.

So there is some progress taking place. In Philadelphia the needs of the mentally retarded are receiving a good deal of consideration. On the 23d of this month, they have asked me to talk to them about what they can do to get some programs going for the mentally retarded in Philadelphia, where they have very little, as you know. They have had a citizens' committee studying this problem and they are all steamed up to do something about it. After all, this is progress, is it not? I think so.

Senator MARTIN. Mr. Chairman, this can go on the record. I do not have any objection to this going on the record. I think that we are making great progress, but it is a problem that I think from a national standpoint we ought to give consideration to. This density of population is contrary to what a great man like Jefferson had hoped for in our country. He had hoped that the rural part of America would be the controlling factor. But we are rapidly getting away from that.

In Pennsylvania, the two big cities are now two-fifths of the population.

Miss SWITZER. Yes, they are.

Senator MARTIN. In New York City there is over half the population of New York. Chicago has more than half the population of Illinois, and it will not be long until Los Angeles will be more than half the population of California. And those are very serious problems confronting this Nation, and I think we as a committee ought to give that consideration.

Miss SWITZER. Well, it has a very real bearing on the services that have to be provided to try to offset the tension of modern living, does it not?

Senator MARTIN. That is what I mean.

Senator BARKLEY. San Francisco claims that Los Angeles is spread all over southern California.

Miss SWITZER. They have a point there.

Senator MARTIN. It looks as if Los Angeles soon will be a city 200 miles in length, and it is going to be pretty densely populated. Los Angeles will probably be the largest city in America in 25 years, and it is a serious problem.

Miss SWITZER. I want to put just one more figure before you in the field of mental illness, because it is something that is tremendously serious. I think we have about 700,000 patients in our mental hospitals, and we think that at least 100,000 of them should be given the opportunity of vocational rehabilitation.

Now, during the last 5-year period in our program, there were about 15,000 mentally ill persons rehabilitated. That was an increase of about 35 percent over the 10,000 for the previous 5-year period. So we are making progress, but we have a long way to go.

Now, we have additional progress to report. I would just like to summarize some of the things that have happened in the last couple of years under the new program, before I close.

You will remember that we had, and we still have, a tremendous backlog of disabled people. Depending upon what groups you count, probably it runs from 2 million to 4 million. An estimated 250,000 people are disabled each year by illness or accident, and from congenital deformities or who come of age—who need rehabilitation services.

Now, that is probably half—and this might have a bearing on Senator Byrd's earlier question—for there probably are between 450,000 and 500,000 people who become disabled each year. As to the number permanently or totally disabled—I do not like to use the term, because there are very few people that come in that category strictly speaking. At any rate, there are people who for one reason or another may not be able to go from complete disability to independence but who could perhaps be rehabilitated to self-care. But a minimum of 250,000 people a year are in need of vocational rehabilitation services.

Senator CARLSON. Miss Switzer, may I ask a question on that point? What about our statistics on the need and incidence and the scope of the permanent disability of these people? You mentioned several million people. What about statistics?

Miss. SWITZER. We desperately need more recent, comprehensive statistics. The Census is not organized to give us the kind of detailed information on disability that we should have for planning purposes. A number of people have been thinking about this in the last year or so. I think really accurate statistics is one of the most important needs in the whole field of disability. We need them in our program. We can contribute very little. We have small studies going on in Kansas City and New Jersey and this place and that place. They are all geared to the community interest and need, and are not adequate for national application.

They are as good as you can get. I do not worry about it too much because we are so far from where we should be, that we can make a lot

of mistakes in our ultimate predictions for we still have a long way to go.

In planning for rehabilitation facilities, for which we have a great need nationally, it is extremely important to have more accurate information about the incidence of disability.

We know we need the first layer, but when we get the first layer, how much of the second layer do we need, and what is the most economical way to build that second layer?

The Senator says that the cities have a higher incidence than the rural areas. Well, we do not know that for sure. We think so, but we do not know. We think, for example, on the basis of information we have that there is a far higher number of untreated deafness and severe visual handicaps in the rural districts of our country than there is in the cities. Well, that is probably due to the failure to get services to these people.

But is it inherent? We don't know. So I would think if we could have some agency really do a study—we have not had one, after all, since 1936, a study on disability nationally——

Senator CARLSON. I know for a fact that in our own State when we were dealing with this problem, that was one of our problems, the lack of statistics in our own State. So I can imagine nationally it is worse.

Miss SWITZER. If I am not mistaken, we have a bill up for that, haven't we?

Senator CARLSON. I think Senator Hill, of Alabama, and Senator Smith of New Jersey have introduced a bill for that.

Miss SWITZER. I hope you will all support it and vote for it.

Senator CARLSON. I think it has much merit.

Miss SWITZER. I do not consider that I am lobbying; but I hope you will.

Senator BARKLEY. You may have covered this before I came in. Are you recommending that we eliminate the provisions of this bill that provide for total and permanent disability above 50, or are you emphasizing the need for rehabilitation in connection with that?

Miss SWITZER. I am emphasizing the need for rehabilitation, Senator. I said before you came in that I would not speak to policy questions, for the Secretary will speak to that point when he testifies.

My main mission is to try to get you excited about rehabilitation; to recognize its potential, as you did last time when the 1954 amendments were before you; to try to bring you up to date and give you some accurate, current figures on what we have done, what we are doing, and what might be possible. That is my main mission.

Senator WILLIAMS. In other words, it is your opinion that it is better to rehabilitate these people if you can, than it would be to put them on disability?

Miss SWITZER. We do not know that it is an either/or proposition. I think that many times it is not an either/or proposition. All I say is that there is a tremendous opportunity for rehabilitation, regardless of any necessity for income maintenance.

I think that I am not in a position to discuss whether or not there should be an amendment to the Social Security Act providing for disability payments. I do feel strongly—the position I hold gives me some authority to say so—that there is a tremendous responsibility on

all of us, as people responsible in public office, to emphasize the constructive possibilities of rehabilitation to the fullest. And we are a long way from doing what we ought to do.

Senator BARKLEY. Would you give us approximately the percentage of those who are now disabled, or who think they are, who cannot be rehabilitated at all under any program?

Miss SWITZER. Who cannot be rehabilitated. Well, I think that is an awfully hard figure. I think I would be sticking my neck out if I made any statistical estimate of that, but I would say——

Senator BARKLEY. If you would like to take a little time and try to look it up and put it in, I think it might be interesting.

Miss SWITZER. I would, really. I think it would be very important for you to have that in the record. I feel that, for example, there are people who are victims of a combination of circumstances—cerebral palsy and mental retardation, just to take two very obvious things—there are people who are the victims of congenital conditions that make it impossible for them to do anything but live in an institution.

It would be foolish to say that these people should not have maintenance and that they should not be given every opportunity to live the fullest life they can within the limits of their capacity.

But to hold out very much hope for that group in rehabilitation would not be very realistic.

Likewise, if a person had been flat on his back and more or less unconscious as a result of a heart attack or a stroke, it is not very realistic either, even though we can do tremendous things now with partially paralyzed people with heart conditions, to say that these people could be rehabilitated.

But I would like to think about that statistic, Senator, and give you what is available for the record. I would want to consult my experts on figures and see if we could give you something that would be realistic.

(The information requested follows:)

The Office of Vocational Rehabilitation estimates there are about 2 million persons in the United States in need of vocational rehabilitation. In addition there are about 600,000 persons with disability that are of such serious nature and which in combination with other conditions, who probably could not be rehabilitated into employment. Many of these persons are in need of rehabilitation services which would enable them to achieve self-care. This would, in many cases, free other members of the family to accept employment and in practically all cases would permit these disabled persons to lead more useful and fruitful lives.

Senator CARLSON. Miss Switzer, right on that same point, now, we have large numbers of people in this Nation who are already drawing disability compensation and payments through public and private funds. Have you ever made any study as to whether there is a disincentive to rehabilitate themselves once they get on these payrolls?

Miss SWITZER. Well, we have very few objective studies, really. You can get opinions from as many people as you talk to. I would say that my own views are fairly subjective and perhaps some people would say not very scientific.

But I would say that there are several things to consider.

First of all, the size of the payment is a controlling factor in many cases. This has certainly been true in the veterans' program.

If you talk to people who have intimate familiarity with veterans' rehabilitation, you will find, I think, that the most difficult problem arises in those instances where a person has been disabled to the extent of getting the full veterans' benefit. That person, under normal conditions, would have earned, and lived at a standard that was perhaps half of his pension, and if he went back to work, that is all he could earn.

Well, obviously there is little incentive there to be rehabilitated.

Some people also develop fears; fears of insecurity. We have found, for example, in some places that people on relief do not like to get off relief, because they are afraid if they are not rehabilitated, they will not be taken back on. When people are that close to the margin, it takes a good deal of imagination and planning to give them the kind of security that will encourage them to take a chance at working.

I think if the concept of income maintenance in any program can be tied in, in some constructive way, to the provision of rehabilitation services and if the one does not stop because the other is undertaken, there is the possibility that this approach would be found quite successful.

Now, in some States there has been a very close relationship developed between our vocational rehabilitation agency and the public assistance program. An agreement has been reached that persons would continue to receive public assistance if they needed it, or at least part of it, until it was established that they could be rehabilitated, and then it would stop.

This has been oftentimes the controlling factor in whether a person would be willing to undergo rehabilitation.

Now, after all, it is a difficult decision to make when a person has been out of work, or has been injured for a long time. I think the experience of the United Mine Workers in their rehabilitation program is quite graphic in that regard. There are an awful lot of problems involved and it is awfully hard to give a yes or no answer.

But my own conviction is that you can so structure an income-maintenance program that you can make disability practically impossible.

Senator BARKLEY. Now, I suppose in the matter of mental disability, a good deal depends on the type and degree.

Miss SWITZER. That is right.

Senator BARKLEY. There are many types of mental disability——

Miss SWITZER. That you cannot do anything about.

Senator BARKLEY. I heard a very amusing incident. It happened in one of our mental institutions one shining afternoon. An inmate was sitting out by the front gate enjoying the sunshine, and a man came along in a car and had a blowout right in front of the gate. And he changed the tire and got it back on, and in the process he had kicked the lugs all over the road and could not find any of them at all, to put back on the wheel.

So he started to walk into town to get some lugs, and this inmate said to him, "You don't have to do that." He said, "You take one lug off each of the other wheels and put it on this one and you can drive into town.'

And this fellow said, "Are you an inmate here?"

He said, "Yes."

"Well," he said, "you are not crazy."

He said, "I am crazy, but I am not stupid." [Laughter.]

Miss SWITZER. That is wonderful. That is a wonderful story.

Senator BARKLEY. It proves that there is no cure for stupidity.

Miss SWITZER. That is right.

That is a very good illustration, is it not, of some of our problems?

Well, let me give you a few facts about what has been happening in the last year or two.

This is the first year, really, that we have had a full year's operation under the new program. You will remember that by 1953—we had reached a sort of plateau. The Federal appropriation for that year was $23 million. In 1954 the Congress adopted the new rehabilitation law, which broadened the financial scope of the program and put it on a long-term basis. Contained in the act are certain objectives in terms of financial authorizations which were designed; if the states would put the money up—to make it possible to reach the goal of 200,000 rehabilitations a year—in contrast to 55,000 to 60,00—in a 5-year period.

Well, we will not get there quite that fast. But we are on our way. The authorizations in the act, you will remember, are for $30 million the first year, then $45 million, $55 million, and $65 million, on up.

Now, in the last several years, the Federal Government has done a tremendous job in getting this program underway, and the Congress has been extremely affirmative in its support of it. It always has been, but it has been even more so in the last couple of years.

In 1954, we had the $23 million base. The first year of the new program, which really was midyear, we had an increase of $2,500,000, and in 1956, an increase in Federal funds from $25 million to almost $33 million, and the President's Budget for 1957 calls for $37 million.

Now, all of this action has also drawn out State funds, an increase from $12 million in 1954 to $15 million in 1955, and $19 million in 1956 and in 1957, we hope, to about $22 million.

Now, this is stepping up the program tremendously. One of the things the Secretary wanted me particularly to emphasize was the importance of State support in this program. He wanted me to make clear the efforts that we are making to try to get more adequate State support. I thought the chart that we prepared for the Governors Conference shows the spread of State effort.

Miss SWITZER. Traditionally, this program has been uneven. It has been supported adequately in some places and not at all adequately in others.

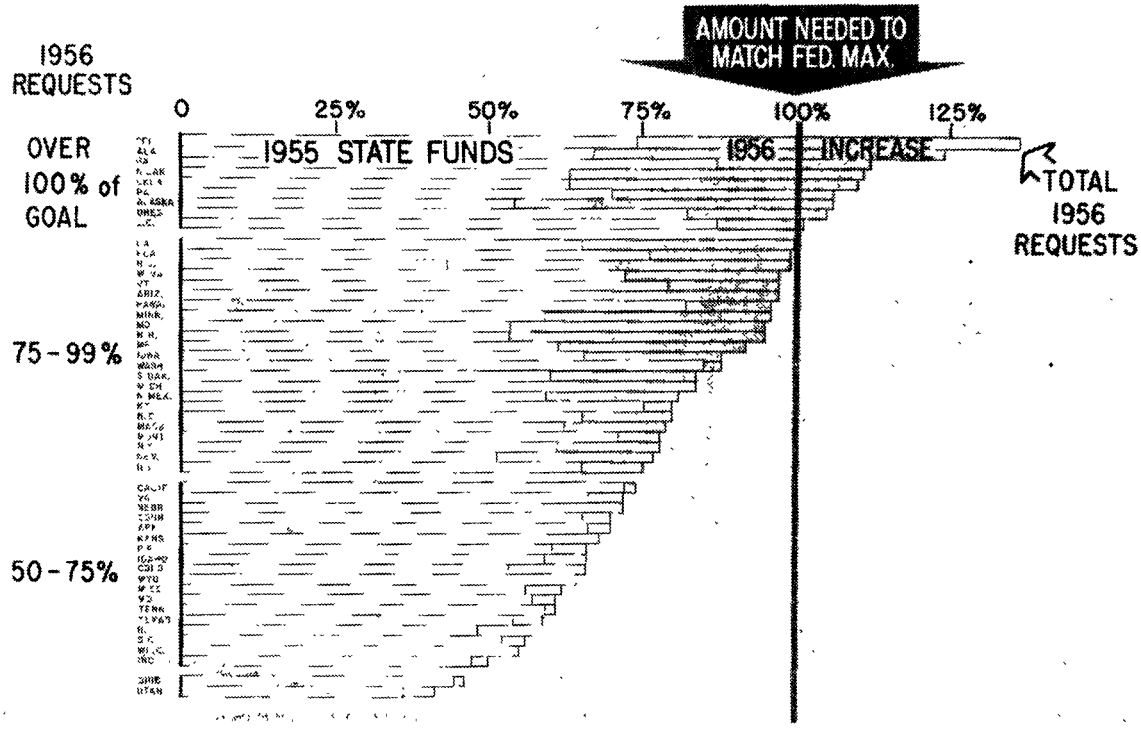
Now, this line would represent 100 percent conformance by the States with the President's budget estimates for 1956. This is a year old, but relatively it is still true. I think it is a wonderful way to see what we have to do in some States to secure sufficient State support to match the Federal money that is available to do the job. This chart illustrates a tremendous lag in some States. Some shifts have occurred, but this——

Senator BARKLEY. What does that space there represent?

Miss SWITZER. Well, this is new State money in the program in 1956. This line is what States would have to appropriate in order to earn all the Federal money available that year.

Now, some States are over this line, and some States are almost there. It is interesting to see just where each State stands.

GOVERNORS' REQUESTS FOR STATE VOC. REHAB. APPROPRIATIONS 1956



Of course, I cannot help but mention Georgia, because Georgia is sort of bellwether of the Nation. Last year, for the second time, Georgia had the greatest number of rehabilitations. It was a great year to have it happen, too, because the Georgia director, Mr. Paul Barrett, was one of the great leaders in this program and he died just a couple of months ago. We still feel his loss very greatly.

But our big problem is to work with States and communities to get a recognition of what can be accomplished.

Now, I think 1957 is going to be a very interesting year, because the State legislatures, all of them, are tremendously interested in the program. One of the advantages that the new law gave us was several methods of making grants in addition to basic support of the program: special research projects, expansion activities, and extension improvement projects. We have about 250 projects going in different communities. Some involve additions of specialized staff, like the Pennsylvania program for the mentally ill that I mentioned earlier to Senator Martin. Others include specialized personnel for the blind, and programs for special disability groups. All over the country we have a great deal of activity going on in areas which will indeed produce prompt results.

Now, we have a couple of bottlenecks. The biggest bottleneck is the shortage of trained personnel. The Congress very wisely gave us authority to establish a training program, very similar to the ones that have been found so successful for the Public Health Service programs. When you think of 58,000 individuals rehabilitated out of a pool of about 175,000 persons being served on any one day in the year, you can appreciate the number of skilled technicians that are necessary to provide the rehabilitation services.

Everything is in short supply in this program: counselors, doctors, specialists in rehabilitation, physical therapists, occupational therapists, special education teachers, hearing specialists, and speech specialists. All are in short supply.

So we start out to do several things: (1) To try to help the States recruit staff and train them on a short-term basis so that they can not only be equal to the expanded rehabilitation program, but to function in the disability freeze program which most of our State agencies, as you know, are administering and which represents an additional workload; (2) long-term training—by that I mean 1-year or 2-year programs for individuals that will be ready to enter the program in following years; and (3) to increase the pool of specialists. We have an appropriation of just something over $2 million for training.

We have awarded about 100 teaching grants to schools in almost every State of the Union, over 1,100 traineeships have been awarded to individuals enrolled in the training programs. It is a very exciting program, and it is very encouraging how much we hope to get from the young people who are willing to go into rehabilitation.

After all, there is great competition for persons among the specialties these days. It is hard for me to say that it is better for a person to go into rehabilitation than into nursing or other fields, because all the health professions are in short supply. But I do think that people who go into rehabilitation and who commit themselves for even a short period of their professional career—and many will stay with

it all their lives—that here is an opportunity for service to the public and the disabled that has rewards far and away beyond a good many other choices.

On that basis, we are hoping to recruit a very high quality of personnel.

Then we also have a good many projects in research and demonstration and a beginning in establishing regional facilities. Facilities are a bottleneck, too. We have one Fisherville, but we need many more. We hope Pennsylvania will establish a center in the next year or two. Several more are in the planning stage. It is going to take several years before the kind of service that we have been able to provide in the presently organized centers can be developed in the new ones.

The Hill-Burton hospital and facilities construction program is gradually beginning to meet this need. The staffing of these centers will present an ever-growing problem.

I think that some of the people who operate these centers—you probably have thought about them, particularly Dr. Howard Rusk, who perhaps has a more intimate knowledge of what is going on and what needs to be done than anyone I know—can be asked to appear before your committee and have him tell you what he thinks about rehabilitation and disability.

I feel that the task ahead is to concentrate on community support of the program, on community interpretation and education, on working with our State groups to get the States to accept the challenge of what the Government has laid out for them as an ideal, and what Congress has committed itself to put into this program. Perhaps, in the next decade of service to people the rehabilitation philosophy may become the governing one—to make independent and productive citizens out of people that would otherwise be dependent for the rest of their lives.

I think I have taken too much time, Mr. Chairman, but I have had a very good time, and I appreciate very much the opportunity to tell our story to you.

The CHAIRMAN. You made a wonderfully fine statement.

Do you desire your complete statement put in the record?

Miss SWITZER. That would be nice. There are some figures in the statement that I think might well to have.

The CHAIRMAN. That will be inserted.

(The prepared statement of Miss Switzer is as follows:)

STATEMENT OF MISS MARY E. SWITZER, DIRECTOR, OFFICE OF VOCATIONAL REHABILITATION DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. Chairman and members of the committee, it is indeed a pleasure to appear here today to discuss with you our nationwide vocational rehabilitation program. It is a rich and rewarding experience to be associated with the program that has such farreaching social, economic, and humanitarian implications—a program dedicated to helping our handicapped men and women attain a position of self-sufficiency, dignity, and independence in our society.

My testimony will not cover questions of policy on H. R. 7225; these will be dealt with in the testimony of the secretary, when he appears.

THE VOCATIONAL REHABILITATION PROGRAM

Vocational rehabilitation is a program with a history and tradition. Established by the Congress in 1920, it was one of the first grant-in-aid programs of service to people. In 1943 and again in 1954, the Congress enacted legisla-

tion which greatly broadened the scope of vocational rehabilitation services available under the program, and substantially increased Federal financial support of this vital activity.

Throughout its 35-year history, the purpose of the vocational rehabilitation program has remained unchanged—to develop and restore the ability of physically and mentlly handicapped persons to engage in productive work.

This restorative objective of vocational rehabilitation had gradually become the ideal—the philosophical ideal at least—of all our health and welfare programs. This concept is well illustrated in a recent address by Secretary Folsom in which he stated:

"We should not be content with programs—worthy as they are—which simply relieve human want after it has developed. * * * We must look ahead and head off problems before they become acute. We must emphasize the services which help restore persons in need to independence and a better life. This approach requires imagination, hard and practical thinking, and a willingness to face up to the problem."

Rehabilitation has and needs these attributes—"imgination, hard and practical thinking, and willingness to face up to the problem."

The public program of vocational rehabilitation operates in all 48 States, the District of Columbia, and the Territories of Hawaii, Puerto Rico, Alaska, and the Virgin Islands. In 36 States, including Hawaii, vocational rehabilitation services for the blind are administered separately by a State agency or commission for the blind. Responsibility for the administration of services to the disabled individuals rests with the States.

THE REHABILITATION PROCESS

The vocational rehabilitation of disabled persons is a highly individualized process. Even a superficial study of the many people that have been served by this program will show the infinite variety of human nature—for a handicapped person is like all the rest of us with the problems that everyone has.

Disabled persons are referred to the rehabilitation agency from many sources—welfare agencies, doctors, hospitals, OASI, employment services, schools, and so on. Their contacts and continuing relationships are with the rehabilitation counselor, who is the key to all that follows. Through early interviews with the disabled person, members of his family and study of reports from other agencies, the counselor begins to develop a case history and makes a tentative decision about the client's eligibility.

As a basis for further action, a medical examination is made in every case by a physician of the community. This is often supplemented by examinations by medical specialists. There are several reasons for a thorough physical evaluation. It determines (1) cause and extent of disability; (2) presence or absence of other physical or mental conditions often not obvious; (3) whether disability can be removed or reduced by surgery or treatment; and (4) the activities which may be safely performed.

With these medical data, the case study and an appraisal of the person's vocational aptitudes, abilities, and interests, the counselor arrives at a vocational diagnosis, and works with the disabled person to develop a complete rehabilitation plan. The services which the disabled person may be furnished include medical, surgical, or psychiatric treatment, hospitalization, artificial appliances, training, transportation and maintenance during rehabilitation, occupational tools, equipment and initial stock if established in a small business, and placement and followup on the job.

Some disabled persons may require all of these services; others may need only a few. At times, several may be given simultaneously. In every instance, services are selected in terms of each disabled person's needs and provided solely for the purpose of helping disabled persons to become employable.

The individualized nature of the rehabilitation process can also be illustrated statistically. For example, in one State the vocational rehabilitation of severely disabled persons required all the way from 45 to 133 personal contacts by the counselor before they could be established in employment.

Vocational counseling, medical examinations, training, placement and followup on the job are available to all eligible disabled persons regardless of their economic circumstances. Medical services, maintenance, and transportation are paid for out of program funds to the degree that the disabled individual cannot meet the cost. In measuring the individual's capacity to pay, he is not required necessarily to be at a relief level. The availability of cash maintenance in the

vocational rehabilitation program is an important provision. It permits individuals whose resources for subsistence are limited to take full advantage of vocational rehabilitation.

Many services must be provided in facilities such as rehabilitation centers, adjustment centers for the blind and workshops. There is a substantial shortage of rehabilitation facilities and workshops and those that do exist are not evenly distributed through the country. When appropriate facilities are not available in the disabled person's community or State he may be sent by the State agency to some other State where appropriate facilities are available. For example, on any one day at the Woodrow Wilson Rehabilitation Center at Fishersville, Va., approximately 125 out of the 350 patients are from about 21 States. At the Institute of Physical Medicine and Rehabilitation in New York City of which Dr. Howard Rusk is director, you will find disabled persons from all over the country.

In the period of 1950 to 1954, the Georgia agency sent 49 severely paralyzed persons to Dr. Rusk's center. Since completing their treatment there, 24 are back at work, 23 are in various stages of vocational preparation, and only 2 have gone on relief.

I shall return to the subject of rehabilitation facilities later. In the meantime let me turn briefly to the economics of rehabilitation.

THE ECONOMICS OF REHABILITATION

Vocational rehabilitation is a program with great human, social, and economic values. There is no way to measure personal and family satisfaction and happiness when disabled persons are lifted from nonproductive dependency into the ranks of family breadwinners.

The economic values are more than convincing. For example, about 58,000 disabled persons were rehabilitated during the fiscal year 1955. Disability not only affects an individual but may affect the total family as well, therefore the rehabilitation of these 58,000 disabled persons also affects an additional 78,000 family members who were, to some degree, dependent on these persons.

Of this group of 58,000, 76 percent were unemployed when they started receiving vocational rehabilitation services of whom 13 percent had never worked; only 24 percent were working in one way or another. These in the latter group were engaged in temporary or part-time jobs, unsuitable or unsafe employment, or were in danger of having to stop work because of their disabilities.

Vocational rehabilitation is an investment in the conservation of our human resources that pays dividends. The total earnings of the 58,000 disabled persons rehabilitated in 1955 were at the rate of $16 million a year when they started their rehabilitation. After rehabilitation the group's earning power was increased to $106 million a year. These figures do not include the earnings of farmers and family workers. In addition this group added approximately 89 million man-hours to the productive effort of our economy.

The economic gains are also reflected in other ways. It is estimated that these 58,000 persons will, during the remainder of their working years, repay $10 to the Federal Government alone in Federal income taxes for each Federal dollar spent for their rehabilitation. About 11,600 of this group were on public assistance rolls at some time during their rehabilitation. To maintain these disabled persons on assistance for a single year would have cost around $9.7 million. Their rehabilitation for useful work cost about $7.7 million.

ADVANTAGES OF VOCATIONAL REHABILITATION TO THE TUBERCULOUS

So much for the economic values of vocational rehabilitation. But there are other values as well. These values vary from one disabled group to another.

For example, tuberculosis is a relapsing disease. We have to preserve that which we treat. It costs about $14,000 to treat and care for each new case of tuberculosis. Yet we often fail to realize that each relapse involves an additional investment in treatment, together with all the social and economic dislocations which accompanied the original onset of the disease.

The importance of vocational rehabilitation in preserving the health and welfare of persons with tuberculosis is revealed in a recent study by Dr. Sol Warren, a staff member of the New York rehabilitation office, who carried out a 5-year followup of two groups of patients—one group who accepted vocational rehabilitation and the other group who did not.

Here are a few of the results: Within 5 years after discharge, 18 percent of the nonparticipants had died, whereas only 5.1 percent of those who underwent rehabilitation had succumbed; 62 percent of the nonparticipants suffered relapse of their disease, whereas only 26 percent of the participants experienced recurrences; 85 percent of the participants were employed whereas the percentage was 47 for the nonparticipants. During the 5-year period after discharge, the average sums spent for hospitalization were $259 per participant and $737 per nonparticipant. The participants as a group received public aid for 6.5 percent of the followup period as against 13.3 percent for the nonparticipants.

THE CHANGING CONCEPT OF DISABILITY

Throughout the history of the vocational rehabilitation program we have witnessed substantial changes in the concept and management of disability as well as the impact of disability on our national economy.

Physical fitness

The selective-service program of World War II brought into bold relief the fallacy of our national concept of physical fitness. It came as a distinct shock to the Nation to learn that despite its high standard of living, 40 percent of its selectees for military service were rejected because they could not meet standard physical requirements. But the war taught us, too, the tremendous contribution rehabilitated handicapped workers could make to the defense effort on the production line. Many crucial jobs were performed by the blind, deaf, and orthopedically disabled more effectively in many instances than so-called normal people.

This experience demonstrated most strikingly the basic error of our thinking. For years false concepts of physical fitness have had an important influence on our civil and industrial life. Vague standards have been created that condemn those with physical defects as unproductive. This is well illustrated by the tragic aspect of epilepsy for the majority of the 1 million epileptics enjoy normal health except when having seizures. Except for those few cataclysmic minutes, which come only periodically, they look, act, and feel like other persons. But because of these few minutes and the long social stigma attached to them, most epileptics have been—and still are—denied the privilege of living and working like other people.

Studies reveal that, with few exceptions, rehabilitated workers are as fully productive as the so-called normal persons. Though the presence of physical defects may imply limitation of capacity of work in some cases, this premise is false in the majority of cases among the total disabled population. There is no strict or objective demarcation between disability and incompetence. When a specific "disability" does not, in fact, interfere with the performance of a job, the "disability" ceases to be a disability. As one authority sums it up, less than 1 percent of the working population are physically fit for all types of work.

Mechanization in industry has also contributed toward a more realistic concept of disability. In many types of employment a man works only on a part of a job. Many machines can and are operated by totally blind; they do some jobs better than the sighted. The amputee is no longer confined to the job of a night watchman. If what some of our economists tell us about automation is true, then we must look toward the use of practically all of our disabled people to meet industrial needs.

Medical advances

Since World War II there have also been developments in other fields that have a profound impact on the total problem of disability. Thanks to wonder drugs, vastly improved surgery, better hospitals and diagnostic facilities, and many other advances, thousands of our people are alive today who, with the same illness or injury less than 50 years ago, would have died. Few paraplegics survived World War I. Almost all of the 2,500 paraplegics of World War II are still alive and most of them are employed. Many of the patients who leave the hospital "cured" also leave with a serious disability. Each of them represents a precious human life saved—yet each raises the question of whether the same society which can save a life can give meaning to it.

Our very success in the constant struggle against disease and death has in fact created medicine's number one problem—the problem of chronic disease in a population in which the average age is rising. The life expectancy of our people today is 68, on the average, as against 49 at the beginning of the century. As our population grows older, it can be expected that chronic disease and its result

in physical disability will increase correspondingly. Lacking a cure for many of the chronic diseases that produce disability, we must turn to rehabilitation to teach the disabled to live within the limits of their disabilities and to the fullest extent of their capabilities. We are now in a position to do more to overcome the handicapping effects of disability than at any time in our history.

New methods of cardiac surgery permit young adults crippled with mitral stenosis and congenital heart disease to grow up as productive rather than vegetative members of society. The cerebral vascular accident patient provided with modern physical medicine and rehabilitation can frequently return to a productive life. Like the young physician who had a severe heart attack at the age of 41 and returned to continue his practice of medicine. He died at the age of 69 following his ninth heart attack.

As for the paraplegic, of whom there are more than 85,000, the contribution of physical medicine and rehabilitation can be strikingly illustrated. A car in which a young Georgia boy, age 21, was riding, overturned and he was thrown from the seat next to the driver. His spinal cord was severed causing permanent paralysis of his entire lower extremities. Because of the disability he was unable to return to his job at the textile mill. After many months in the hospital he was sent by the Georgia rehabilitation agency to the Institute of Physical Medicine and Rehabilitation in New York City. Here he learned how to get out of bed to perform the activities of daily living, take care of his personal needs and get about with the aid of crutches. When he left the institute he entered training to become a watch repairman. After completing his training his first job paid a beginning wage of $40 per week. Since then his weekly salary has been substantially increased. It cost Georgia about $6,000 for his rehabilitation. Had he been required to become a public charge, it would have cost around $21,000 to provide him with a minimum level of subsistence through age 65. Today he is a taxpayer rather than a burden on his family and his rehabilitation saved the taxpayers about $15,000. This case illustrates the point made earlier of the direct relationship of severe untreated disability to dependency and relief costs.

We often associate arthritis with aging—this is largely true for osteo-arthritis—but rheumatoid arthritis, which causes the greatest crippling, usually strikes young persons and adults in their prime. As yet we have no cure for this disease. But frequently we can reduce the amount of crippling and achieve a productive life. One of my favorite cases is a Wilkes-Barre, Pa. boy, now 23, who was first stricken when he was 7 years old. When he came to the Pennsylvania rehabilitation agency he was unable to walk or to get from his wheelchair to a standing position. Both arms as well as both legs were affected. Arrangements for surgery, physical rehabilitation procedures and special braces by the Pennsylvania rehabilitation agency did restore partial use of one arm and hand and both legs. This boy has retained, through his painful young life, three basic elements which made possible his complete rehabilitation—his spirit and understanding, artistic ability and sufficient motion in one arm and hand to paint and draw. Today he is a commercial artist serving numerous stores and businesses in his home community. He is now a proud and self-sustaining citizen.

Industrially injured

We have a strong belief that when adequate medical care for the injured industrial worker covered by workmen's compensation includes rehabilitation procedures, the degree of permanent disability is generally lessened. The Canadian experience would tend to bear this out. Although there are many other elements which might make it unwise to draw the comparison too far, these facts are interesting. In the Canadian Provinces physical medicine and rehabilitation is an integral part of medical care and treatment under the workmen's compensation program. A recent study of experience in 37 jurisdictions in the United States and 3 in Canada revealed the following: The ratio of permanent disability cases to all compensation cases in the United States varied from a low of 7.7 in Florida to a high of 30.6 in Illinois. In Canada, Ontario had the lowest rate of 3.8 and British Columbia had the highest, 5.1. Even more striking figures are found in two States not included in the study. In New York, the ratio was over 30 percent and in New Jersey over 66 percent.

Mental illness

I want to add a word, too, on the importance of thinking of mental patients, particularly those in our State hospitals, as an important group of our disabled who can profit from vocational rehabilitation.

Mental patients formerly considered hopeless victims of many mental disorders are now responding to new methods of drug and shock therapy, and an increasing number given proper assistance are being returned to active and productive life in the community. Between 15 and 25 percent of all patients discharged from mental institutions require rehabiliattion services to meet problems of vocational adjustment. Our mental hospitals are rapidly changing from custodial institutions to treatment centers. Today, where intensive treatment is available, 75 percent of first admissions to mental hospitals can be expected to leave within 3 months.

Each year the public program of vocational rehabilitation succeeds in rehabilitating a few more mental patients. In the last 5-year period, 1950–54, 14,791 persons with mental and emotional disorders were rehabilitated—an increase of 35 percent over the 10,783 persons with these disorders who were rehabilitated in the 5-year period 1945–49.

The sum total of all of these advances—in medical knowledge, the introduction of new drugs and surgical procedures, the use of new methods for training the disabled in the activities of daily living, and the application of improved techniques of selective placement—makes it possible for thousands of our disabled men and women who, a relatively few years ago, would have been considered hopeless, to resume active lives and to enter the labor force as self-supporting citizens. As a result society's attitude toward disability is rapidly changing.

We now look to the abilities of a person who has a physical or mental impairment, rather than to his disability. We look to his abilities to overcome his impairment and to resume an independent, self-respecting way of life.

AN EXPANDED REHABILITATION PROGRAM

Dramatic as these advances and accomplishments may appear, we are falling far short of meeting even the annual needs. Each year an esitmated 250,000 of some 500,000 persons disabled by disease, accidents, or congenital conditions, come to need vocational rehabilitation in order to work. Less than 60,000 disabled persons are being rehabilitated annually under the Federal-State program. It is easy to understand therefore why there are over 2 million disabled persons in the United States today who need vocational rehabilitation services.

It was for the purpose of helping the majority of our handicapped citizens overcome the personal disaster resulting from disability that the President, in his 1954 health message, strongly recommended that consideration of both humanity and self-interest demand immediate measures for the expansion of our rehabilitation resources, in order that at least 200,000 disabled persons might be rehabilitated annually. The Congress enacted three major laws directed toward this objective: (1) the vocational rehabilitation amendments of 1954; (2) the Medical Facilities Survey and Construction Act of 1954, which provides Federal grants to States and communities for the construction of comprehensive rehabilitation centers; (3) the 1954 amendments to the Social Security Act to preserve old-age and survivor insurance benefits for persons who become permanently and totally disabled before age 65.

The objective of the new Vocational Rehabilitation Act is to provide for a progressive expansion of the vocational rehabilitation program to the end that 200,000 disabled persons might be restored to productive activity annually. The new program is bold in concept and far reaching in scope. It provides for a progressive increase in Federal financial support of the Federal-State program in order to bring services to more disabled people. It authorizes funds for training in order to reduce the acute shortage of physicians specializing in rehabilitation, physical and occupational therapists, rehabilitation counselors, speech and hearing specialists, and other personnel who provide rehabilitation services to disabled people. It provides financial support for research and demonstrations to develop new knowledges and new techniques and to improve present practices. It provides for financial participation in the establishment and expansion of specialized rehabilitation facilities and sheltered workshops. It also opens the way for nonprofit voluntary organizations to participate in the public programs by making Federal financial aid available for the first time for purposes consistent with the program.

PROGRESS UNDER THE NEW ACT

This is our first full year of operation under the new act. The groundwork that has been laid during the tooling-up period toward further long-range prog-

ress has been heartwarming; the response of States and State officials toward greater effort has been gratifying; the activity of the individuals and voluntary groups has exceeded all expectations; so all who are concerned with our disabled citizens can feel assured that rehabilitation services for them will continue to expand and improve.

Number of rehabilitants

In fiscal year 1955, the downward trend in persons being rehabilitated annually by the States which began in 1952 was checked and an increase of 4 percent was achieved—57,981 rehabilitations in 1955 as compared to 55,825 in 1954. Goals established by the States indicate increases in the number of rehabilitants to 70,000 in 1956 and 80,000 in 1957. More than 176,000 disabled persons were referred to the State agencies during 1955. This marks the highest number of new referrals received during a year in the history of the program. By November 1955, of the 53,837 "freeze applicants" referred to the States for disability determinations, 14 percent had been accepted by the State agencies to determine whether vocational rehabilitation was feasible.

Increased State support

One measure of the acceptance of the new program is the extent to which the States have responded in increasing their share of the cost of the program. In 1954, the States contributed about $12.5 million to the program. In 1955, this increased to $15 million, 20 percent more, and in 1956, States expect to spend $19 million, about 50 percent more than in 1954.

Continued increases are expected for 1957. It is estimated that the States will make $21.7 million available for rehabilitation purposes in 1957. This represents a 70 percent increase over expenditures by the States during 1954.

These results are due to the fact that a number of the State Governors and other State officials, State legislatures, lay and professional groups, and the people in these States—are giving vigorous and realistic support to the program. In other States the support and effort has not been as great. This variation in State effort is evidenced by the fact that percentage of increase in State funds in 1956 over 1955 ranged all the way from zero to over 100 percent. Continued progress toward reaching our goal of 200,000 rehabilitations annually will require maximum effort on the part of all States, voluntary agencies and community groups.

Rehabilitation as a community enterprise

Another index of program acceptance is the accomplishments of joint planning by State rehabilitation agencies and voluntary groups to increase community rehabilitation resources.

Expansion grants, which are designed to give a new lift to the program, provide striking examples of cooperative planning. Two-thirds of the expansion projects approved in 1955 were from nonprofit organizations. They were developed jointly with the approval of the State agency to meet State program needs for facilities and specialized services. Of those approved so far in 1956, 85 percent have been developed in this manner by nonprofit agencies. For example, grants in excess of $100,000 have been made to assist in the establishment or expansion of speech and hearing facilities in 20 different communities. Assistance has also been extended to 20 different communities to expand their rehabilitation facilities.

An increasing number of new district and local rehabilitation offices are being opened and staffed with counselors throughout the States. There are 508 such offices maintained by the State agencies as compared to the 448 which existed a year ago, an increase of 60 new points of service.

Another evidence of community support is represented by the large number of extension and improvement projects being developed under the auspices of voluntary organizations such as local associations for retarded children, United Cerebral Palsy Association, hearing societies, Goodwill Industries, and tuberculosis associations.

Many of the new rehabilitation methods and procedures which are being developed under the expanded program are being adopted on a statewide basis. Pennsylvania experimented with the placement of a rehabilitation counselor in one of the State mental institution. The arrangement proved so successful in providing rehabilitation services to turn patients to active and productive life in the community that this system has been put into effect on a Statewide basis.

Increasing the supply of rehabilitation personnel

The greatest single obstacle to the more rapid expansion of all types of rehabilitation services is the acute shortage of trained personnel. Every one of the 58,000 individuals rehabilitated last year in the public program required the services of from one to a dozen highly skilled people.

Almost everyhere these skilled people are in critical short supply. As a result practically every facility has a long list of disabled persons who need service and become impatient awaiting their turns. In the many places where services are nonexistent, people are demanding and bidding for their share of those precious talents. Everywhere we turn there is the same plea—"find me a doctor"—"train us a dozen counselors"—"where are all the physical therapists going."

We now have, under the new act, a program of support to institutions and individuals to train the many specialists needed in an expanded rehabilitation program. A total of $2,075,000 was made available in 1956 for the support of the training program. During the year, 124 teaching grants were made to training institutions and traineeships were awarded to 1,177 individuals. Of the teaching grants, 34 were for rehabilitation counseling, 5 for the training of physicians, 32 in the field of social work, 4 for nursing, 15 to schools of occupational therapy, and 10 to schools of physical therapy. The remaining number were for short-term programs for hearing specialists, rehabilitation center administrators, workers for the blind, and other types of specialized personnel. The 1,177 traineeships were awarded for both short- and long-term training in those several fields.

Research and demonstrations

The authority to make Federal grants for the support of research and demonstration projects represents a milestone in the history of the rehabilitation program. Research and demonstrations are as important to the adavancement and improvement of rehabilitation as the research and demonstration programs in public health are to the preventing, care, and treatment of disease.

Some of the most imaginative and creative work being done in rehabilitation today is being supported under this section of the act. Our Office is guided in this work by the 12-member National Advisory Council on Vocational Rehabilitation which considers and makes recommendations on each project application.

Since the initiation of the research and demonstration program, 46 projects in 17 States have been approved. For example, one project is designed to develop and demonstrate ways in which psychiatric treatment can be provided to deaf persons. Until now, the problem of communication with a deaf person has made adequate psychiatric treatment almost impossible.

Another project has as its purpose the study and demonstration of the work potential of the epileptic whose seizures cannot be brought under complete control. Another deals with developing work opportunities for the young mentally retarded adult. Each project is unique and each is directed toward finding the answers needed to provide the basis for better rehabilitation services to more disabled people.

THE TASK AHEAD

We have presented for you a broad overview of the status of vocational rehabilitation as it exists today. Rehabilitation is a constructive approach toward meeting the problems of disability. At the same time we realize that not all disabled persons can be established in remunerative employment. However, we know more about overcoming the handicapping effects of disability than at any time in our history if we choose to do something about it. We are not yet investing as much in support of our rehabilitation efforts as we are in maintaining disabled persons at public expense.

Public Law 565 (83d Cong.) provides the basis for a substantial expansion of our rehabilitation network. Many serious problems lie ahead for the States, the cooperating agencies, and the Federal Government. Some of these problems, like the training of personnel, take time to overcome. However, our goals are set. The rate at which we move ahead in reaching these goals will be in proportion to our national effort and support of the program.

The CHAIRMAN. Are there any further questions?

(No response.)

The CHAIRMAN. Thank you very much, Miss Switzer.

Miss SWITZER. Thank you very much, indeed, all of you.

The CHAIRMAN. You made a great statement.

The next witness is Mr. E. B. Whitten, executive director of the National Rehabilitation Association.

STATEMENT OF E. B. WHITTEN, EXECUTIVE DIRECTOR, NATIONAL REHABILITATION ASSOCIATION

Mr. WHITTEN. Mr. Chairman, I am glad that Miss Switzer's testimony preceded mine, for it gives an excellent background for some of the things I am going to say about existing and proposed legislation bearing on this field.

I had wanted to say many of these things, but felt that I could not take the time to do so.

I am going to stick rather closely to my prepared statement, but I may interpolate at various places as we go along.

I think I will skip the identifying paragraphs and go down to the last paragraph of the first page, saying in advance that before I could really express myself intelligently upon the proposed legislation which you are considering, I feel it necessary to say something about the existing program of social security, particularly those phases that went into effect following the passage of the amendments in 1954.

The inportant relationship of rehabilitation to disability insurance was reflected in the 1954 amendments to the Social Security Act, which set up a preservation of benefits program. State rehabilitation agencies or other appropriate State agencies were to make determinations of disability for the Secretary. In addition, it was declared to be the policy of Congress that disabled individuals applying for determination of disability should be promptly referred to the State rehabilitation agencies so that the maximum number of disabled individuals could be restored to productive activity. The importance of the relationship between rehabilitation and the proposed preservation of benefits program was emphasized by Assistant Secretary Perkins in his testimony before the House Ways and Means Committee as he explained how the determination of disability would work out in actual practice.

> A person who was disabled would apply to one of the 512 OASI field offices for preservation rights under this disability freeze. If he had the required work history, under the OASI system, he would be referred to the State vocational rehabilitation agency, where he would be given an examination by the counselor in the agency, who would call for a medical examination by one of the local doctors in the community, if needed, under the usual working relationships which exist between the State vocational rehabilitation agencies and the doctors today.
>
> This disability examination would serve as the evidence as to whether his rights should be preserved under this proposal. At the same time, it would serve as the basis for the rehabilitation plan, which the State vocational rehabilitation agency would draw up for the worker, and the worker would be returned to work; that is, if the rehabilitation were successful.
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> This rehabilitation would be a part of the usual State-Federal vocational rehabilitation program and would be financed in the usual manner under that program.

Now, the Senate seemed to concur in this viewpoint with respect to how this legislation would work. The Senate report, page 22, states:

> By and large, determinations of disability will be made by State agencies administering plans approved under the Vocational Rehabilitation Act. This

would serve the dual purpose of encouraging rehabilitation contacts by disabled persons and would offer the advantages of the medical and vocational case development undertaken routinely by the rehabilitation agencies. These agencies have well-established relationships with the medical profession and would remove the major load of case development from the Department.

The States also took this relationship seriously as is evidenced by the fact that more than 40 of the States designated their State rehabilitation agencies to make determinations of disability for the Secretary. By the way, public assistance agencies make the determination in the remainder of the cases.

State rehabilitation agencies had not asked for the responsibility for making disability determinations but were willing to take on this added responsibility, because they believed that in so doing they would be facilitating the rehabilitation of handicapped persons for whom they have primary concern.

In actual practice, however, the program has not worked out as Congress or the States thought that it would. With respect to the "prompt referral," only those applicants who sign an agreement to be referred to State rehabilitation agencies are being referred, and this is less than 50 percent of all applicants. The policy which OASI has adopted with respect to referral apparently stems from a long standing departmental policy with respect to the confidentiality of records. There has been discussion in the Department with respect to whether there should be a relaxation of this policy, but there has been no announced change as yet.

With respect to the dual purpose medical workup which Congress seemed to expect, and which the State rehabilitation agencies thought would be useful in their rehabilitation efforts, a review of the present process of making medical determinations will show how this is working out. An individual contacts an OASI office in person or by mail wanting to apply for the waiver of premium, so to speak.

His work record is checked by OASI to determine whether he is eligible in this regard. If he is, he is given a one-page medical report form on which he is requested to present proof of his disability. He is also asked if he wants to be referred to the vocational rehabilitation division in the State for possible rehabilitation services. OASI may help the applicant get certain types of information, such as from the Veterans' Administration or other Government agencies. The applicant gets a physician of his choice, or a hospital or clinic where he has been treated, to fill out the medical report form. This form, is returned to the OASI, which, after examining the file, may request additional information from the applicant. Finally, usually several months after the initial application, the file of the case is sent to the State agency to be used in making a determination of disability. The rehabilitation agency, its counseling staff supplemented by medical consultants, then makes the determination of disability. In at least 95 percent of the cases—and I think 98 percent would be more accurate—the determination is made without a representative of the rehabilitation agency seeing the applicant. Although this determination of disability is an important function, even under these conditions, it is evident that the State agencies, rehabilitation agencies in particular, are not able to bring to bear upon the applicants their most important skills, which are their abilities to counsel applicants and help them determine their potentialities for rehabilitation.

The whole emphasis in this process, from a rehabilitation standpoint, is negative, that is, its objective is to prove disability. On the other hand, a rehabilitation evaluation is positive, it stresses abilities and potentials rather than disabilities. It may be argued that it is not a proper function for an insurance program to be concerned with abilities and potentials but it certainly seems to have been the intention of Congress when the 1954 amendments were passed that the positive or rehabilitation approach be taken in making determination of disability. Otherwise, there need have been no concern with rehabilitation in this legislation. If a program of cash benefits is to be initiated, as provided in H. R. 7225, it is even more important that a rehabilitation approach be taken in making the determinations of disability. If this is not done, rehabilitation as a philosophy may be undermined and the cost to the trust fund will be enormous.

Although the disability freeze manual prescribes certain conditions under which State agencies may secure and pay for additional medical information, over and above that which the client brings in on the form which has been given to him, the provisions are so drawn as to discourage this practice except in rare instances. In other words for the State agencies to secure a medical examination at their own option is the exception rather than the rule. This committee no doubt has heard much testimony as to the difficulty in determining the nature and extent and duration of disability and the difficulty of evaluating such disability in terms of an individual's ability to engage in gainful activity. This is a difficult undertaking at best but one which is almost impossible if the highest professional skills are not used in making this determination.

The National Rehabilitation Association feels strongly the determinations of disability are being made in many instances without adequate medical information, and I might add, other important information. Personnel engaged in the States in making determinations are practically unanimous in supporting this viewpoint. In fact, I do not know of any exceptions to that statement. State rehabilitation agencies, particularly, are distressed that the present methods of administering this program do not offer the possibilities of advancing the rehabilitation of applicants that had been expected in the beginning. If a program of cash benefits is undertaken, it is doubly important that more adequate medical and other information be available to assist in making determinations.

Now, here, I think, is where the difficulty comes from. It stems from the interpretation of the provision of section 215 (i) that—

an individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required.

By the way, this is a section that governs all other aspects of OASI. This provision is being applied to the "Waiver" just as similar provisions have been traditionally applied to the determination of eligibility for other OASI payments, for instance, cases in which the establishment of date of birth, quarters of coverage, et cetera, are the only criteria for eligibility. In our judgment, Congress should consider whether this concept is sound in administering a program which involves so complicated a process as determination of ability to engage in gainful activity.

I might add here that I think the very heart of this program was approached by one of the Senators this morning when he brought up this matter of a changing concept of disability. I do feel that that is the key upon which the decisions of Congress ought to be made with respect to certain phases of this legislation.

If a program of cash benefits is to be established, this is the time to make this fundamental decision. This is true whether benefits are to be available at age 50 or at a later age. Besides, we have assumed that a cash-benefits program, regardless of the age group to which such benefits are made available in the beginning, will eventually be extended until it covers all the working population. If this assumption is to be accepted, it becomes doubly important that procedures designed to encourage the rehabilitation of the largest possible number of the disabled be adopted at the beginning of a cash benefits program.

H. R. 7225, the bill now before the committee, also puts much emphasis upon the relationship of rehabilitation to disability insurance. The provisions of existing legislation that determination of disability be made by State rehabilitation agencies or other appropriate State agencies is retained; also retained is the declaration of policy that applicants be promptly referred to State rehabilitation agencies. In addition, in section 222 (b), the Secretary is given authority to reduce payments to individuals who refuse without good cause to accept rehabilitation services available under a State plan approved under the Vocational Rehabilitation Act. It is further provided in section 222 (c) that—

> an individual shall not be regarded as able to engage in substantial gainful activities solely by reason of services rendered to him pursuant to a program for his rehabilitation.

There is a 12-month limitation on this exemption. This section is expected to be an incentive to an individual to accept rehabilitation services.

Now, these provisions indicate the concern of the House of Representatives that the rehabilitation of the handicapped be encouraged. We believe this position to be a sound one. It will be some time before it will be known what percentage of individuals who make application under a cash-benefits program can be rehabilitated by the State rehabilitation agencies.

I might say here that the experience up to now is not very clear in this regard because the cases that have applied for the waiver have in the main been people who have been disabled for many, many years. And, of course, later on, under a cash-disability program, applications would be current and therefore in a few years, valuable experience could be gained.

Certainly, all cannot be rehabilitated at this time. If the number to be rehabilitated should turn out to be a very small percentage of the total number making application, it would still be to the best interest of the Government in general, the OASI trust fund, and the individuals concerned, that rehabilitation be undertaken. Emphasis upon rehabilitation is not to be interpreted as being an effort to try to keep severely handicapped persons from drawing disability insurance. Rather, it is to give every disabled individual an opportunity to determine for himself whether he should undertake to

rehabilitate himself before he accepts OASI cash benefits. The time for the emphasis upon rehabilitation is before a person is judged to be under a disability which makes him eligible for cash benefits. While some people will be rehabilitated after they have started drawing cash benefits, it is generally recognized in rehabilitation circles that a pension is not an incentive to rehabilitation and may often be the opposite.

With respect to H. R. 7225, the legislation now before this committee, the National Rehabilitation Association is not taking a position on the bill as a whole. Neither do we attempt to advise Congress as to whether a disability-insurance program should be undertaken at this time. If a cash-benefits program is to be initiated, we do have firm convictions with respect to what its relationships to rehabilitation should be. Accordingly, in the next few paragraphs we shall outline our position on the bill as it relates to rehabilitation.

1. We believe that the determination of disability under a cash-benefits program should be made by the States. We believe that the experience in the cooperative State-Federal relationship under the "Waiver" has demonstrated the soundness of this procedure. Although there have been administrative difficulties in getting the program in operation, each State has now designated a state agency to make the determinations and the program is well advanced in most of the States. The effectiveness of this State-Federal relationship should improve as the program develops.

And let me add here that any statement that I have made with respect to the administration of this program has not been a criticism of the administration of the program in itself, which is being handled very efficiently. Our differences are differences of philosophy, with respect to what the intent of Congress should be, and the general guiding principles that should guide the administration of such a program.

Our principal reason for believing that determinations of disability should be made by the States is that we think this is the only way Congress can be sure that a close relationship will exist between state rehabilitation programs and the Federal cash-benefits program. We believe that the declaration of policy on the part of Congress that applicants be referred promptly can and should be activated.

2. We believe that the existing concept that the applicant shall furnish proof of his disability should be examined to see if this concept, as now implemented, is appropriate for the present program or for a cash benefits program. We believe, ourselves, that representatives of State agencies making determinations of disability for this "waiver" should interview applicants and secure medical and other examinations as are indicated.

An effort should be made to discover abilities and potentials not just a prove disability. OASI regulations should aim to secure uniformity in procedures in making determinations but should not unduly restrict State agencies in exercising the professional judgment of their representatives as to the necessity for medical and other data needed in individual cases. A professional approach to the determination of disability will, of course, be more expensive. It will be a very small investment, however, when considered in the light of huge

sums that will be paid out in cash benefits. No doubt it will save more money than it will cost.

3. We believe that in any program of cash benefits every possible incentive should be provided to encourage applicants for such benefits to accept rehabilitation services. In this connection, we approve section 222 (c) of H. R. 7225 as its intent is explained in the House report accompanying the bill.

Quoting from the report—

the bill specifically provides that a person who performs work while under a State rehabilitation program will not, solely by reason of his work, lose his benefits during the first 12 months he is testing out his earning capacity.

We believe the language of this section should be studied carefully to see if it really means just what the report says it means. In addition to this incentive, we would add another, that is, that a recipient of cash benefits who is undergoing rehabilitation would have his benefits increased 25 percent during the period of his rehabilitation, but not to exceed 18 months. We feel that this cash incentive would be extremely helpful in encouraging recipients to undergo rehabilitation, and that the small additional expenditures from the trust fund would be repaid many times in additional payments to the trust fund from people after they are rehabilitated.

Incidentally, this principle is found in a number of workmen's compensation laws throughout the country and has been found useful in encouraging rehabilitation.

As already indicated H. R. 7225 provides that those who are determined to be under a disability will be eligible to receive benefits at age 50. Some have expressed the viewpoint that rehabilitation has little to offer to those over 50 years of age. At one time this might have been true, but no longer. In 1935, only 7.2 percent of persons rehabilitated under State-Federal rehabilitation programs were 50 years of age or over. In 1954 this percentage had increased to 16.5 and may be expected to go higher. Incidentally, 4.7 percent were 60 years of age or over.

Mr. Chairman, this concludes the formal statement of the National Rehabilitation Association. In this testimony, we have not offered specific amendments to H. R. 7225 to carry out the ideas we have expressed. We are in position, however, to assist the committee in preparing such language if the committee will seek our assistance. We will be glad to be of any help that we can.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Whitten.

Any questions?

(No response.)

The CHAIRMAN. Thank you, sir.

Mr. WHITTEN. Thank you.

The CHAIRMAN. The next witness is Dr. James L. Doenges, president of the Association of American Physicians and Surgeons.

Senator CARLSON. Mr. Chairman, before Dr. Doenges starts his testimony, I would like to read a wire [reading:]

KANSAS CITY, KANS.

Senator FRANK CARLSON,
Washington, D. C.:

Testimony which Dr. James L. Doenges, president of the Association of American Physicians and Surgeons will give before the Senate Finance Committee

on February 16 represents the sentiments of the doctors in Cowley, Butler, Greenwood, Elk, and Chautauqua Counties on bill H. R. 7225.

JAMES E. HILL, M. D.,
Counselor 8th District, Kansas Medical Society.

The CHAIRMAN. Thank you

Doctor, we are glad to have you, sir. You may proceed.

STATEMENT OF DR. JAMES L. DOENGES, PRESIDENT, ASSOCIATION OF AMERICAN PHYSICIANS AND SURGEONS, INC.

Mr. DOENGES. I wish to thank the chairman and this committee, for the privilege of appearing before you to register opposition to H. R. 7225, on behalf of the Association of American Physicians and Surgeons, 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.

On July 6, 1954, it was my privilege to present testimony for this association in opposition to H. R. 9366. The present discussion is a continuation of that testimony. Many points mentioned previously have been avoided to prevent repetition. However, since we regard those points as pertinent we have attached a copy for ready reference of the previous testimony to the present testimony to make our objections more complete. We hope it may be introduced as a supplement to this testimony.

The time is past when extension of social security can be viewed with anything but serious misgiving and extreme concern. The program has been extended until at present it has become one of the most important features in an ever-expanding program adopted from foreign ideologies aimed at the destruction of the principles of our Government and the principles upon which our Constitution was founded.

Passage of H. R. 7225 would practically eliminate from the American scene the rights of any individual to plan his future. It would force him to become dependent upon the Federal Government and contribute to and be a part of a system which many of us believe would result in the destruction of our republican form of government and eliminate practically all the rights of the individual. We want to preserve this Government as well as the rights of every citizen.

A deep and serious concern for the future of this Nation, the maintenance of these rights, and the desire to retain for future generations the privilege of living under some semblance of the principles through which our Nation has advanced so rapidly, compels us to request rejection of H. R. 7225.

For years, many have questioned the advisability of extending the system of social security. Defects have been pointed out by many. The dangers of continuation and expansion of this actuarially unsound program have been stressed. The evil of piling debt upon future generations has been stressed. The inflationary tendencies have been emphasized. These objections have failed to dissuade previous Congresses from extending the system.

The American people have never had a fair chance to understand, to appraise and to evaluate the social security system. The original social security law was declared constitutional after a relatively limited and even questionable consideration. None of the other features, the amendments or subsequent changes have been considered from

the constitutional point of view. The question of constitutionality in the decision of 1937 was on the establishment of a Federal old-age retirement program. The constitutionality of such a tax on self-employed has never been determined.

Many basic questions in regard to the constitutionality have been raised. It has been impossible to secure a hearing before the courts on these questions. The courts have even refused to hear questions which have direct reference to the violation of the Constitution and Bill of Rights.

One of the most important questions which has been raised is whether or not an individual can be forced to be a tax collector, against his will, without remuneration. It has been impossible to secure a Supreme Court hearing, let alone a decision on this matter. We believe this practice is unconstitutional. However, in the operation of the social security program and all withholding tax programs, innumerable individuals are forced to be tax collectors without remuneration, against their will. By extending or expanding the social security program, each Congress has ignored questions such as this, and in so doing has indicated disregard of the Constitution and Bill of Rights.

Requests for a thorough investigation of the entire system, including its basic philosophy as well as its historical background have been made repeatedly. No thorough investigation has been conducted to date. The subcommittee under the direction of Representative Curtis carried out a rather limited investigation, but very studiously avoided certain areas which are of greatest importance. The basic principles underlying the entire system were not touched upon at any time.

In the hearings held by the Curtis subcommittee, the extent to which misinformation has been supplied about the program was mentioned but was not discussed in detail. The American people have been misled throughout the entire 20 years of the existence of this program, by extremely clever propaganda produced by tax paid propagandists within the social security system itself. The innumerable booklets, pamphlets, and pages of material which emanate from that Department are cleverly designed and so misleading that anyone supplied with this material, and not having an opportunity to learn the facts, would obviously be in favor of the program and its extension. I am certain you are acquainted with this material, but it would be well for Congress to examine the many pamphlets which have been produced and supplied to the public, completely misrepresenting the purposes and results and outcome of this program. Some of these pamphlets are illustrated with very clever cartoons. The disservice which has been done to our Nation by this means defies comment.

Anyone reading the newspapers in a local community cannot help but be amazed at the large quantity of material which is released by the Social Security Administration in praise of its own program. Practically none of this material is factual to the extent that it ever indicates any of the defects or any of the fallacies of the program. It constitutes one of the best examples of a bureaucracy perpetuating itself by persuading the people to demand its extension which we have today.

Senator BARKLEY. Mr. Chairman, I would like to go to the floor, and I would like to ask the doctor one question.

Dr. DOENGES. Yes, sir.

Senator BARKLEY. Up to now you have indicated that you are opposed to the whole system, as it started and as it has been developed. Is that true?

Dr. DOENGES. We are not opposed to a system of social security. We believe there are better ways of solving it than this particular law.

Senator BARKLEY. You mean the law as it is now?

Dr. DOENGES. That is correct, Senator Barkley.

Senator BARKLEY. So you would be for the repeal of the whole social security system as it exists?

Dr. DOENGES. We believe very firmly that these matters dealing with assistance to the aged and the like can be handled much better at a State level, without Federal interference.

Senator BARKLEY. Have you recommended or favored such legislation within the States?

Dr. DOENGES. No.

Senator BARKLEY. Would you oppose it if it were proposed by the State on the same basis?

Dr. DOENGES. No, sir.

Senator BARKLEY. What is the difference between your concept of the duty of a State and the duty of a whole nation?

Dr. DOENGES. It is the feeling, Senator Barkley, that in our States we have considerably more access, immediate access, to our representatives and senators at the State level. I do believe that in the States you have the people——

Senator BARKLEY. You mean you have more local influence on the members of your State legislature in opposition to what you do not like than you would here in Washington?

Dr. DOENGES. No, sir. It is merely this: We have more intimate contact with them, and we feel that, in view of the fact that every county and every district has a member, the people have a much greater opportunity to express their opinions to them directly, and not just in opposition, but also in favor of certain proposals.

Senator BARKLEY. Does your organization have any connection with the College of American Surgeons?

Dr. DOENGES. No, sir.

Senator BARKLEY. It is totally different?

Dr. DOENGES. Yes, sir.

Senator BARKLEY. That is all. Thank you very much. I am sorry I have to leave, but I have to get over on the floor.

The CHAIRMAN. Proceed, Doctor.

Dr. DOENGES. Department spokesmen and other proponents of social security programs have persuaded the people to believe that the social security program has some similarity to insurance programs. This could not have happened by accident. Its effectiveness in encouraging the people of this country to believe that the social security program is good, to a certain extent depends upon this idea of insurance. The American people have, through the years, utilized insurance programs for innumerable situations. They have learned that insurance companies are sound, that their operation is well financed, and that they operate under contract requirements which cause them to be regarded as one of the most substantial institutions in the Nation.

At no place in the decision of the Supreme Court on May 24, 1937, upholding the constitutionality of the Social Security Act, is the act regarded as insurance. The Government itself stated that "The act cannot be said to constitute a plan for compulsory insurance within the accepted meaning of the term 'insurance' ". For some time the term "insurance" was not used by the proponents of this measure, but shortly after the act was declared constitutional, department spokesmen began to refer to the program as "Federal old-age insurance." I am certain you realize how important the utilization of this term has been.

The public has not been the only group deceived in this manner. Articles appearing in popular publications written by people high in Government positions, especially in the Social Security Agency, and by members of the United States Congress, frequently refer to the program as "insurance". Congress, to the best of our knowledge, has done nothing to demand that this distortion of fact be corrected or that the practice be stopped. The fact that Congress has not required such correction has added to the impression and given tacit approval to the impression that the idea of insurance in the program might be correct. I certainly need not remind this committee that the social security taxpayer has absolutely no contract with the Federal Government and that, under section 1104 of the bill, the Congress of the United States may, at any time, revoke or reduce every and all benefits, or completely repeal the act. The taxpayer's social security card has no cash surrender value, no loan value, and there is none in this program. One test which Congress has never seemed willing to apply to this program is that the same Congress would not permit any private company to operate in a similar manner.

It is accepted that the only way in which the Social Security Act can ever pay any benefits is through the utilization of the power of the Federal Government to take the products of the future taxpaying citizen's labor from him through taxes and force him to pay for the benefits of others.

The financing of this program is so unrealistic that one cannot help but wonder how any part of it has ever passed the Congress. The system is not self-supporting and cannot be made so unless extremely high taxes are imposed. One of the advocates of these programs admitted this in essense when Robert J. Myers, Chief Actuary of the Social Security Administration stated in 1953: "Accordingly, all estimates except those based on the low cost, high employment assumption, indicate that the system is not self-supporting." Note the qualifications.

Just how is the system to be financed? We know that the estimates of Government actuaries, all of whom seem to slant their figures to encourage expansion and perpetuation of the bureaucracy in which they work, are notoriously incorrect. It is impossible to calculate the cost of such an elastic program, even if frozen at one time, let alone being changed every 2 years by Congress. Let us not forget the errors made by these Government actuaries in the social-security program. The actual cost of the program in 1955 was approximately 500 percent the cost estimate given to Congress in 1935 (only 20 years ago) as the calculated and expected cost for 1955. Such a batting average leaves much to be desired and provides concrete evidence that the

actuaries for the Government are a bit more incorrect in their estimation of the cost of such programs than are others.

Let us not forget that for a few years almost all of the income from the social-security tax was entered into the reserve. Later, almost 85 percent went into the reserve. In 1955 only 12 percent went into the reserve, and at the present rate of decline the break-even point is not far off.

When this point is reached and passed, who will pay for the benefits? What will we use for money to meet the remaining obligations? Money and every form of credit is, in the final analysis, a claim on future production. The obligation of the social-security system indicates that the claimant has, as a right, an actual claim on future production, a claim to a share of future production which he may realize only provided he withdraws from active productive functions. Congress is, by implication, demanding that productive activity cease at 65, or some other age chosen with equal artificiality. This idea—this implied obligation of our Government can easily become one of the major, if not actually the greatest lien or obligations upon our economy—upon production in the future. Can any Congress really obligate future production in this manner?

The idea that the trust fund is anything but an enormous debt is ridiculous. Those special issue obligations, when they must be redeemed, must be redeemed through taxes—taxes upon those who are, at the same time, paying their own social-security tax into the fund, with the idea that it is for their future benefits. Their current social-security tax will be spent to pay the obligations of those receiving benefits, and they will have to be taxed additionally to pay the bonds to keep up the payments as scheduled. Could anything be more unfair? Could anything be more certain of failure, more certain of being rejected, if the facts were known? All this is on top of an already exhorbitant tax rate for the general fund which also happens to have a debt of about $280 billion at this time.

We need not delude ourselves with any idea that the proposed tax rate for this program will be only 4 to 4½ percent on employer and employee, and 6 to 6¾ percent on self-employed persons in 1975.

The Government actuaries missed their estimate for the past 20 years by about 80 percent. It seems impossible that they could be so wrong again in the next 20 years, but we may be certain that the tax will be far from the estimated figure given above. No other nation has done it on such a low figure.

Just what tax schedule would be required to make such a program actuarially sound? We believe this question cannot be answered, but we do know—the ILO programs, after which our social-security system is patterned, in South America reaches 25 percent of payroll. France pays about 35 percent of much of its payroll for social-security benefits.

It has been estimated that the ultimate cost of the entire program in this country would be from 30 to 40 percent of the payroll (Benjamin Kendrick, of the Life Insurance Association of America). This is a far cry from the estimates of the Government actuaries, but we hasten to add that the life-insurance industry is noted for its excellence in such calculations, based upon performance and experience. A similar reputation, based upon performance, has not been established by Government social-security-system actuaries.

Congress should once and for all dispel the ridiculous idea that social-security taxes are paid by employer and employee in equal amounts. Regardless of how the facts are distorted, the consumer (employee) pays the tax. The employer cannot do so. The cost is always reflected in—and eventually incorporated into—the cost to the consumer. The same is true for the self-employed.

Practically no one receiving benefits at present has paid as much as 5 percent of the actual cost of the "pension." The average is 2 percent from employee and 2 percent from employer. The remaining 96 percent is being paid with taxes from present workers, who think their taxes are being placed in "reserve" for them, when actually future generations will have to be taxed if the present taxpayer is to get anything back at all.

Is it right for Congress to write a law, demanding 4 percent from taxpayers 20 years from now, to pay benefits to those who paid a 1- to 1½-percent tax?

Is Congress through raising the tax for social-security purposes? Can we have any assurance that the percentages in H. R. 7225 will remain in effect and not be raised in a few years?

Is Congress through raising the tax base which is to be used for calculating social-security tax? Will the figure of $4,200 remain in effect or will it not be raised to $6,000, possibly $7,500, or even $10,000? Have we any assurance some future Congress will not make the tax for social-security purposes "progressive"? Could it not be fixed at one figure for members of the party in power and a higher figure for members of the party out of power, just as justly and just as conveniently as it could be made "progressive" for different income levels—of course it could be done with the greatest of ease by merely raising the tax base. Have we any assurance it will not be done?

This type of taxation was stated as a fundamental principle of communism approximately 78 years before it became a law in this land and has been accepted as communistic for approximately 117 years before this hearing. No one has denied that this method of redistributing wealth was first proposed by the Communists as a method of destroying a government like ours.

What would the proposed increase in social-security taxes and tax base do at this time except make more billions of dollars available for Congress and the bureaucrats to spend now, at this time? If the programs for which this money would be spent are good, why does Congress not go directly to the people and propose a general increase in taxes?

The so-called social-security program is insolvent. Can "security" be in "insolvency"? The honorable Senator Millikin has correctly stated that it cannot.

The fact that, at this time, only approximately 12 percent of the money collected in social security taxes is going into what is called the trust fund, should require immediate rejection of any expansion or liberalization. In 1955, less than 40 percent of the aged were receiving OASI benefits. What would happen if all who are entitled to "benefits" should suddenly demand that which they have been persuaded to believe is theirs as a "right"? If only 40 percent of those eligible take 88 percent of the income, it requires very little thought to realize that financing the system is impossible.

The financing of this program has been reviewed by many. We believe certain facts cannot be emphasized too often. We are concerned about the future of our Nation. We are concerned about the integrity of the money and the obligations of this Nation. We do not believe that our Government should operate a system which is so actuarially unsound and in which there are so many incomprehensible loopholes, and in which there are so many possibilities for change and error that no one has been able to definitely state the obligation of the program. It is generally accepted that the unfunded debt may be estimated at $200 billion. However, there is so much "elasticity" in the program that no one seems certain that this amount may not be extremely inadequate.

It has been emphasized that those individuals who are at present receiving benefits, although constituting only about 40 percent of those past the age of 65, provide an obligation, if the present level of benefits is adhered to, which is approximately twice the "reserves" of the so-called trust fund. This is the amount which the social security program is obligated to pay to people who are now drawing benefits, who are above the age of 65, and who will never pay one additional cent into the fund.

I have talked with many individuals and groups on this subject. I am certain the members of this committee would be surprised to learn that practically no individual in the ordinary group has the slightest idea of the relationship of his security tax to proposed benefits. They have been so completely deluded and misled that they actually think the taxes they are paying correspond to premiums being paid by them and other individuals for insurance programs in private companies. This incorrect information has gone so far that they actually believe the only reason they can get such enormous "benefits" for such small "contributions" is that the "profit" of the private insurance companies has been eliminated by the Government handling the program. This encourages the average citizen to believe that the private insurance companies are making fabulous profits and that their operational expenses are completely out of line. This is grossly unfair to the private insurance companies of this Nation. It is made more unfair by the fact that the true cost of the operation of the social security system is not known by the public. It causes them to believe that Government is more efficient in operating these programs than are private companies or private individuals, an idea which is contrary to fact.

Such impressions produce antagonism toward our private institutions. Such programs will destroy the private life insurance business as is evidenced by the fact that they have been unable to keep pace with social security programs. This is because the latter has no sound actuarial basis as required by law for private companies, and operates under innumerable special privileges. With the enactment of the 1954 amendments, the rate of growth between the Social Security program and private insurance was 4:3.

It is impossible for Government to produce annuities more cheaply than can private insurance companies.

Social-security programs or social-insurance programs, the world over, have always aimed at the destruction of the market economy, of individual rights, and of the so-called free-enterprise system. The

misunderstanding which is encouraged by the facts mentioned above, is encouraged to reduce the confidence of the people of this Nation in the very system which has brought about all of our material well-being. This is no accident. It has been a proven tactic utilized by every socialistic group in every country where these programs have gone into effect. The purposes of such organizations as the International Labor Organization are to support the market economy but to destroy it by any means at their disposal. The purpose of persuading the people to believe the falsehoods mentioned above is part of the plan of every socialistic program and it is encouraged and given a semblance of general acceptance to the social-security program or any other similar program.

My conversations with groups and individuals have resulted in frequent expressions of indignation, surprise and wonder, when the facts have been presented. Many people indicate that they do not believe that they cannot, under any circumstances, pay more than a relatively small percentage of the so-called benefits which they may receive. More than one individual has stated openly that they refuse to believe they are not paying for the benefits which they hope to receive, since it is a Government program and they feel certain it would not be permitted to operate if such a situation existed.

As long as there is any idea of a balance or excess, there will be demands for extension and expansion, as well as intrusion into other fields. Many people cannot view a reserve without immediately planning to dissipate it.

So-called reserves always create pressures for liberalization. Many citizens actually think the Government has something, usually money, to give away. Few bother to consider the all-important fact that Congress cannot spend 1 cent which it does not extract by actual or implied force from the citizens themselves. Too few appreciate the fact that the national debt which represents funds spent under authority of Congress is actually a mechanism of decreasing the value of their money, of producing inflation. Too few stop to realize that unfunded debt is more dangerous than fixed obligations, since the former encourages irresponsibility. Too few realize that Government obligations can be terminated only through taxes, inflation, or repudiation. Those who wish to establish or extend these programs judiciously avoid or distort the facts to make the procedure more acceptable.

Government spending is encouraged by the fictitious reserves of the OASI. Some refuse to look beyond the dollar sign, and regard everything which bears it as assets. The idea of money burning a hole in the pocket of the possessor has not gone out of date nor is the practice observed only in irresponsible individuals.

Large reserves induce some to propose utilization of those reserves for purposes other than those for which they were intended. We have no illusions about this matter. We know these reserves do not exist, but some do not seem to be aware of this fact, or appear to be unimpressed.

Only a few have had the courage to expose the fallacy of the OASI reserve or trust fund. Congress, in its obligation to the people, should officially admit the illusion which has been created. Congress should explain that these reserves consist of nonnegotiable special-issue obli-

gations, bonds—that the proceeds of the social-security tax have been spent—by authority of Congress—and that the only way these issues can be redeemed is through taxes, taxes upon the people, upon future generations, upon future production.

Congress should also explain the fantastic process whereby an obligation (liability) of the Government is classed as an asset—bearing interest.

Are we to believe that the general public will forever remain ignorant of these facts? We believe not. We believe that future generations will realize that the social security taxes are not going to prepare for their retirement, and that they are being forced to pay an enormous additional tax to make up the difference. We believe they will question the wisdom of the program which has no reserve and which depends entirely upon the will of Congress to meet the obligation. We believe there is serious danger that future generations will refuse to continue this type of financing and force Congress to repudiate the promises made so freely by previous Congresses.

You are aware that, through the encouragement of the Federal Government, its bureaus and agencies, people have developed a habit of coming to Washington to request aid for almost every activity. Most of those who make requests of the Federal Government believe that they have something coming—that the Government owes them something.

One of the greatest defects of any government system is the fact that many regard a dole or subsidy from the Government as a right. The individual should not be criticized for adopting such an attitude. It is the Government itself, through the statements and publications of appointed and elected officials and representatives which has sponsored, encouraged, and insisted that the so-called benefits are due the individual as a right.

The idea of rights from the Government far exceeds any similar idea regarding private groups, in spite of the fact that in the latter there is a contract and a definite actuarial relationship between costs and benefits. Those who actually pay their own way in purchasing disability programs are less prone to utilize them to the fullest extent possible than are those who have their premiums, or a large part of them, paid by others.

Possibly this is due to the respect most people hold for the Government. After all—it is the law—and it punishes violators by fine and imprisonment as well as loss of property and even life.

A private agreement must be fulfilled or action can be taken and judgment secured through the courts—a part of our Government. Most find it hard, even impossible, to believe that the Government which imposes such stringent restrictions on others does not operate under similar restrictions, does not provide a contract, and may change any agreement in these areas at will.

Does Congress appreciate the extent to which it will be required to utilize the taxing power to pay these obligations? Can this or any other Congress commit the productivity of future generations to pay those obligations which, in all charity, must be classified as having been made with considerable irresponsibility by previous Congresses? Can this Congress rightly pass to another Congress the onerous task of repudiating earlier obligations? Is it fair to place future Con-

gresses in the position of bearing the criticism for correcting this type of fiscal irresponsibility? Has one Congress no responsibility to subsequent Congresses?

Can you think of a better way to destroy our Government than to place future Congresses in the position of being forced to renege on promises made by previous Congresses, or by utilizing any of the means available for retiring such obligations?

It has been suggested that the social security system has an anti-inflationary influence. This does not square with the facts. Social security, by the facts, has had no anti-inflationary influence. To the contrary, every expansion, every increase in benefits, increases the inflationary influence. It is absolutely impossible for such an accrued liability to do anything but add to inflationary pressure. The social security system has done, and is doing, this very thing.

Is the Federal social security system really the best answer to anything except certain very unsavory practices centering about securing the votes of recipients of the benefits and their children who do not wish to be burdened by their elders? This is an unkind question, but it does require an answer.

Does social security result in or produce economic security? It cannot. Economic security results only from the production of consumable wealth. The social-security system produces nothing in this category. Actually, it parasitizes the productive elements in many ways.

All the social-security system can do is enter into the compulsory redistribution of wealth, a fact which is freely admitted in the publication entitled "Social Security Financing," 1952. Such redistribution may be at present between individuals or between the present and the future. However, the fact remains that this redistribution of wealth is not, has not been, and can never be productive of wealth.

It is doubtful if the forced redistribution of wealth, which is the only way Government can accomplish this task, has ever produced any wealth. Few realize that our Government is sterile as far as production is concerned. It creates no wealth. Whatever it dispenses it must, first, last, and always, extract from the people, even if it is through the degrading process of running the printing presses.

When forced redistribution of wealth requires producers to leave productive fields, the production of consumable wealth must be reduced. In spite of this, some claim programs such as this can control inflation. We have been unable to find, in the acts of Congress or the history of recent years, a single satisfactory example of Government showing any sustained ability to control inflation. Inflation depends upon many factors, some of which are excessive taxes, which we have; deficit financing, which we have; and excessive spending, which we have also. All of these unsound practices are produced by and extended by the social-security system.

We oppose the Marxist program for the redistribution of wealth by the utilization of force, which is inherent in the social-security program. We believe the events of the past should be observed to guide us in the present and the future. The fact that the social-security programs have been most important in producing socialized medicine, socialized insurance, and in leading nations into the bankrupt and degraded system of general socialism cannot be avoided. We do not want this to happen here. It will result as a natural consequence if Congress does not call a halt to these programs.

In view of the fact that the International Labor Organization, devoted to establishing worldwide socialism, regards the United States social-security system as one of its greatest achievements, we would be wise to contemplate their title: "Minimum Standards of Social Security." This is most important in view of the fact that the ILO, an agency of the U. N., of which we are a treaty member, has outlined the extension of this program to a degree which would be complete socialization of our Nation. We resent the ILO Socialists setting up a program to destroy our Nation and having it expanded to suit their purposes, not the best interests of the United States.

They have attempted to establish a new idea of security as a dominant concept in national thinking. Federal operation of such programs always leads to intervention into and destruction of personal freedom. When cooperation is compulsory, it results in a defeatist attitude and abject surrender, rather than an attempt to oppose that which is thought to be wrong.

In this bill we find the ever-present extension of the socialistic ideology which is a natural consequence of accepting any part of the scheme. I refer to the disability features. This is a common entering wedge for socialized medicine.

Permanent and total disability features have a certain amount of popular appeal if one is willing to disregard history, facts, and figures, as well as principle. The appeal cannot be denied, but the consequences are as certain as if one would leap from the top of a 30-story building.

H. R. 7225 (sec. 223, p. 7) proposes to pay cash benefits to totally disabled social-security beneficiaries who are 50 years of age or over. How was the figure "50" determined? Why was it not 51, or 49, or 29, or as far as that goes, why was there any age requirement? There can be no doubt that if any age limit is established there will be ever-increasing pressure for reducing that age limit. There can be no doubt that future Congresses will acquiesce to the clamor for such age reduction.

If cash benefits for disability at any age is established there will be a demand for cash payments for temporary disability. These demands will be pressed so actively that some future Congress will establish such payment. If anyone believes this is farfetched, he would do well to review the congressional record. The late Representative Dingell stated, "Temporarily disabled persons who are insured (please note the use of the word 'insured' by a Congressman—my insert) on the basis of recent employment should be eligible for cash benefits for upward of 26 weeks in a year. Provision should also be made for cushioning the cost of medical services during the period of temporary disability." Others have stated similar ideas.

This proves that some are already working for cash payments for temporary disability and for Government-paid medical care for the same. Any Government agency would quite naturally demand that such medical care be carried out under Government direction. We are fearful that soon certification of disability will be paid by the Government.

How do disability programs fare in private practice? How realistic can they be? How effective are they? How does the individual who is ill or disabled regard these programs?

Extensive experience permits us to leave the field of basic principles and enter the very practical field of every day activity and speak with authority.

The comparison of the duration of disability between those without disabiltiy insurance or incomes and those covered by various programs such as workmen's compensation or the various insurance programs carried by a number of industries, is so extreme that it is almost unbelievable. Cases cited in general can be proved by an abundance of specific examples.

Following surgical procedures, those who are in responsible positions or who operate their own business, return to partial or full activity in an amazingly short period of time. Many of my own patients in this group return to full activity before their sutures have been removed. This is usually the sixth or eighth day following surgery. This is true in many cases even if the individual carries a large amount of disability insurance. In direct contrast, it is exceptional to find a case having similar surgery but covered by workmen's compensation or various insurance programs, willing to return to work, and frequently extremly easy work, within 6, 8 or 10 weeks. Most of them want to stay away from work as long as they can draw benefits. There are notable exceptions but these are few.

The abuses of the private temporary disability programs are enormous, actually unbelieveable. We may well consider a few examples.

A short time ago a young mother visited our office and asked to be placed on sick leave. This young lady was very honest, and stated her case very plainly, but was not pleased when we refused to cooperate in her plan. The facts of her situation were these—she was employed in a local industry, receiving a relatively good weekly income. In order to work, it was necessary for her to pay for transportation to and from the plant, and to employ another person to look after her small child. Both of these costs were relatively minor. This young lady stated that she "could not afford to work" because the disability benefits or illness benefits which she drew were not subject to Federal taxation, and as a result her net income for the week was less than $4 more for working than for being sick. We have had many other requests for similar treatment, but few of them have been as honest as this. If such is the case in private industry, we sincerely believe the abuses would be greater under a Government program.

Enormous pressure is applied to physicians to have them certify disability over extended periods of time. Quite a few patients actually inform the physician who refuses to certify the disability as long as the patient desires, that the patient and his entire family will no longer seek his services. In this manner, those desiring unreasonable extension of disability exert a very real financial pressure upon the physician. A number of these individuals have been patients of the physician for many years. The loss of that patient and his family constitutes a definite and appreciable loss to the doctor. In these cases, the pressure is exerted by the patient and his family. Under Government control, similar pressure would conceivably come not only from the family but also from political groups and even from individuals in Government itself.

Enormous pressure is exerted upon physicians by groups who have as their purpose the destruction of the honest, free practice of medicine

and the establishment of Government medicine under political control. These groups have many methods by which such pressure is exerted.

It may be difficult to believe, but the act of testifying before a committee such as this, in what one believes to be the best interest of our Nation, brings rapid and vicious action from groups and individuals supporting these proposals. Attempts of every kind are made to discredit, to embarrass, and to harm or ruin the business or practice of one who dares speak out against these programs.

In every profession and group, there are individuals to whom these problems appear differently. There are members of our own profession who will certify disability for very minor difficulties. In communities where these problems exist, certain organized groups are well informed of the physicians who refuse certification beyond a period of time which is justified, and those who are willing to certify for extended periods for very minor reasons. These pressure groups have very obvious, but clever, methods of blacklisting individuals who must earn their living by supplying services to the public. These lists develop very quickly. Individuals working in certain communities and desiring extended disability are frequently informed that they can secure certification by going to certain physicians. They are likewise advised to avoid having surgery performed by individuals who will not extend disability unreasonably. They are advised not to seek medical care from those who will not certify disability in cases of questionable severity. Very few physicians will certify disability for conditions and complaints which do not warrant sick leave. However, as long as one individual exists, even in a neighboring community, who does not abide strictly by the accepted practices, the patients are channeled to that individual by the pressure groups.

In surgery we certify many people as able to return to their regular occupations, only to learn later that they have gone to someone else who certified them for continued disability for illnesses which are so difficult to define that it is impossible to prove them incorrect. Such diagnoses as "nervous exhaustion," "industrial fatigue" and others, are impossible to disprove. In these cases the patient very frequently remains on disability as long as he can secure benefits and returns to work only at the termination of the contract period. It is rather amazing to observe complete recovery as soon as the total period of benefits has expired.

These abuses are sufficiently serious in many instances that investigators must be employed. It is not unusual for them to find persons certified as disabled, planting crops, taking care of an entire farm, driving tractors, laying concrete blocks or brick, building houses, or taking a vacation in a resort area. There are many cases where an individual certified as disabled in one community is found to be working at another job in another community. The physician cannot act as an investigator of anything except the patient's complaints. We believe such abuses would not be eliminated under a Government system in which the patient, as well as the doctor, would be impressed with the idea that the disability benefits were due the patient as a "right," and that he was entitled to utilize those benefits to the fullest. We believe the abuses would be compounded.

It is almost impossible for a medical examiner to prove that a patient does not have a headache, a backache, or some other pain with

sufficient certainty to overrule the patient's claim. How can one ever prove that a patient does not become too "nervous" to work, when he takes his place in industry? What kind of standards could be established for "nervous" or "mental" disability?

These illustrations do not indicate any criticism of the patient or of the physician who certifies such patients as unable to work. The fault is not with them. It is inherent in any program which makes such abuses possible for it encourages, by tacit approval or implied action, the idea that such a course is reasonable. The fault is with the program, not with those who accept it, since those who sponsor the programs and promote them, always try to convince the prospective recipients that they are actually entitled to benefits of a certain amount, for a certain period of time, provided certain situations arise. The patient evaluates his own situation as his conscience dictates.

The abuses of the present system are minor compared to those which would result inevitably from the Government entering this field. The very fact that the Government would set up such a program would be all the proof which would be required by many that they had such benefits coming to them as a "right," duly recognized by the Congress of the United States. Could you blame them for taking every possible advantage of such a program?

The physician could not act as a policeman. He would merely be observing the law to certify disability which he would be forced to regard as a responsibility of government.

What about those physicians who would refuse to certify minor illnesses as disabling? Could they continue to practice honestly? Would resulting pressures contribute to the honesty and integrity which has marked the profession through the years? Would patients who want to be certified as disabled continue to seek the services of these physicians or would they "shop around" until they find someone willing to comply with the patient's request? Would a patient, if he were trying to secure benefits for questionable difficulties, be concerned about going to a doctor of questionable integrity? The answer is obvious. Others would be informed and the same procedure would be repeated until those physicians who are conscientious and honest, and who regard their responsibility as a matter of importance—the type of physician you would want to care for you—would find his practice decreasing and would be branded in every unfair way for refusing certification. The less conscientious and possibly the less able physician would develop a larger and larger practice.

What would this do to the morale and morals of the profession? One thing is certain, it would not improve either. Such programs work to the advantage of any individual who has little or no principle, and who has no regard for professional integrity. They work to the definite disadvantage of the high caliber practitioner.

This committee bears the important burden of being especially concerned about the finances of our Government. The disability program is obviously impossible of reasonable estimation. There is no way of calculating the abuses, let alone the honest demands. The abuses will make every calculation based on fact seem ridiculous.

It would be absolutely impossible to limit claims to the type of disability envisioned originally in any law which might be passed. The

evaluation of disability is extremely difficult, especially since the disabled almost always believes the disability is greater than allowed. The most important single factor is the subjective element. It is almost physically impossible to disprove a subjective complaint.

Marginal workers, many of whom are at this time employed in activities both productive and remunerative, would see no reason to continue their activities if there was any possibility of claiming disability. Subjective difficulties can very easily be exaggerated and the degree of exaggeration seem justified by the individual in every case. Not one believes he is exaggerating his symptoms. They become very real to the possessor.

The administration of such a system would be almost impossible. How could any semblance of control of such a system be effected? Excellent examples of the difficulty to be encountered are to be found in civil suits in which juries have awarded fantastic amounts in almost total disregard to testimony given by numerous extremely competent medical authorities.

Would cash payments for disability stimulate the desire to work—something quite unpleasant to many—if it were possible to secure such benefits by just "remembering" that one felt a bit worse than previously? We believe cash benefits would encourage such practices.

Willingness to be supported by others seems to bear a direct relationship to the distance from the source of the funds being dispensed.

I would like to interject that this is part of the answer that I intended to give Senator Barkley to his question.

Many people will feel that they are "just as entitled to disability benefits" as is someone else who is receiving them. Would this encourage them to claim such benefits? We believe it would. That which people would be told is theirs as a "right" would become uppermost in their minds. Qualifications, other than having paid a little tax, would be of no concern or would be minimized.

In borderline cases, persons would undoubtedly be encouraged to apply for benefits by local administrators. The larger the benefits the more the desire and encouragement. This would be especially true in the female segment of the population as many still feel women should not work in plants and various industries. Many are working to merely supplement the income of the husband over a particularly trying experience or expense, fully intending to stop work after a definite period of time. We believe it would not be difficult for many of them to find legitimate "reasons" for disability, after their personal family emergencies were passed, possibly even before if cash payments were to be received. Every one of them would honestly and sincerely believe they should be entitled to such benefits, too.

They would be encouraged to claim disability by those organizations and groups which could profit by a reduction in the labor force.

One feature of the disability provision which has not been emphasized is that this provision would force doctors, in the final analysis, to decide whether a patient should or should not continue to pay a tax. Certification of disability would automatically exempt the taxpayer from his tax burden.

I would like to interject that this is one feature that has been very difficult for me to explain, but I do think it is important that certification would actually put the doctor in the final analysis in the position of saying that a man should or should not pay a tax.

We grant the bill does not state this so bluntly—but that is what it would do. We physicians have absolutely no right to enter this field. We have no business saying whether anyone should or should not pay a tax. We believe it is wrong to force us into this situation as there can be no justification for causing us to do this. That responsibility belongs to the legalized agency of force and to Government alone. We want no part of deciding a point on which we have no training and qualifications.

The provision of cash payment to the disabled is at cross purposes with rehabilitation. If we are to realistically acknowledge frailties of human nature, and as physicians we must, cash benefits will tend to restrict the all-important personal desire to be rehabilitated. Such benefits can only succeed in extending disability, magnifying it, and in encouraging malingering and all other types of disreputable practices.

H. R. 7225 requires the recommendation of patients for rehabilitation to Government rehabilitation agencies. Recipients can even be denied their disability payments if they refuse to accept the Government rehabilitation services. When a physician certifies one of his patients for these services he loses a patient to a Government agency. Need we say more to prove that H. R. 7225 brings socialized medicine to the United States?

We realize that the medical profession is not forced into the social-security system under the present provisions of H. R. 7225. We are grateful that we have not been compelled to take part in a system of which we do not approve and which we believe will eventually play a most important part in the destruction of this Nation.

Recently, a number of surveys were conducted by various State medical organizations on this subject. The questions were simple and required a simple "Yes" or "No" answer. However, even these results are extremely misleading. We have learned that some physicians (and we believe many) did not know exactly what the questions included.

In Indiana 2,284 replied to the questionnaire. Of these 1,302 voted against inclusion. Only 89 voted for compulsory inclusion but 564 voted for so-called voluntary inclusion. We believe none of the physicans who voted for voluntary inclusion knew that such was impossible. They did not—and most do not—realize that if voluntary inclusion were voted it would force fellow physicians who did not want to be involved, into the sytem, too. Even more important is the fact that these men were thinking of voluntary as it applies to everything in the United States except in dealings with the Government. They actually thought they could get out of the system at a later date if they changed their minds and did not want to continue or if the program proved to be unsatisfactory. In view of this, the vote in Indiana should more correctly read 1,866 against; 89 for. In Madison County the vote would then be 60 against, and 2 for, instead of 55 against, 5 for voluntary and 2 for compulsory.

Only about 60 percent of those receiving questionnaires returned them. We know in some communities practically all of those favoring inclusion voted. We also know that many who do not want to be included did not vote as they felt it would make little or no difference how they voted.

I actually heard one physician from a larger city state that he voted for inclusion because physicians would probably be taxed anyhow, and we might as well get something out of it. He does not belong to the association which I represent.

We have insisted that social-security programs are one of the most important parts of every socialistic program in the world. Some, unable to disprove this, dismiss the charges by merely denying the fact. We are so certain of the truth of this statement that we raise the following questions: Has there ever been a socialistic system which did not include, as one of its principal programs, a system of social security or social insurance? Has there ever been an admitted Socialist who did not support and demand extension of social security or social insurance? We have been unable to find a single example to indicate an affirmative answer to these questions. The Socialists themselves, as well as our own Social Security Agency, admit that the socialized state cannot become a fact without these programs. Is there a single argument which can be presented in support of social security which cannot, with equal validity, be used to support the socialization of any other function?

In Common Human Needs, public assistance report No. 8, they admit this by stating:

> Social-security and public-assistance programs are a basic essential for the attainment of the socialized state envisaged in democratic ideology, a way of life which so far has been realized only in slight measure.

Is it the People's Democracy of Russia to whose democratic ideology they refer? We fear it may be and we want no part of it.

The members of this committee undoubtedly realize how enormous the tax bill of the self-employed has become. We already pay taxes which seem insufferable, including social-security taxes on nurses, secretaries, and part-time employees, anyone who may help in our yards or the house. Must we be saddled with another tax, one which adds to the support of an ideology in which we do not believe?

Although the social-security program is supposed to be nonpolitical, the benefits have been raised and the program expanded in every election year for some time. It seems to be of considerable coincidence that the number of recipients, as well as the amount they receive, just happens to increase somewhere between 30 and 60 days before a general election.

We believe it is unwise to have such legislation voted upon during an election year. The pressure from the recipients, as well as from the families of those recipients, families who are desirous of shunning their personal responsibility to their parents, is so great that it has produced a pressure group far more powerful than good for the Nation. Support of this belief was given by your late, great, and beloved fellow Senator, Robert A. Taft, when he stated at a Republican policy meeting, in discussing the Social Security Act Amendments of 1950, that it would be political suicide to vote against the bill. All but two Republican Senators voted for the bill, despite their denunciation of the bill on the floor of the Senate.

We do not believe Congress can function fairly and with proper consideration of all factors under such pressures. Consideration of the bill should be delayed until this type of pressure is removed, or at least decreased.

What would be wrong with having this entire system, every part of it, investigated by a group outside of Government before making any changes in the law? Such a group would not be under pressure to be elected to anything. Such a group could secure facts and information from every area, and could listen to authorities who were not employees of the social-security system bent upon keeping their jobs. We believe this would be healthy, and would bring forth facts you will never secure by listening to Government employees.

Is such a program fair? Does it keep its promise, as understood by the people, to them? Are there not many who have paid their social-security taxes who are denied benefits because they refuse to become nonproductive and retire? Are these people really not as entitled to benefits as those who quit working? Have they committed some crime or offense by continuing to produce, to make our Nation stronger and greater? Why are they punished for continuing to work? Why does Congress pass laws to discriminate against these citizens? It seems to us they deserve additional credit and honor for their continued activities.

Man derives his rights and responsibilities from a Supreme Being. No state is given any authority by this fact. It can come only from the individual so endowed.

Freedom in society, individual freedom among men living together, is societal man's greatest achievement and can be obtained and maintained only through and as long as the principles upon which our Constitution and Bill of Rights was based, are acknowledged, honored and upheld.

The framers of our Constitution and Bill of Rights accepted these principles and performed the greatest service to mankind in recorded history by establishing a Government based upon those principles. They include the fact that every man is responsible, has certain inalienable rights secured to him by his Creator, and that our Government was founded by those having such rights for the express purpose of defending every man's personal liberty and freedom in this Nation.

Any person who removes any of the responsibilities or rights from any citizen in this land automatically repudiates those principles and supports the principles of authoritarianism and totalitarianism. To force any one of us to pay tribute to the social-security system against our will is to reject the principles upon which our Government was founded. Can Congress uphold the Constitution and the Bill of Rights by repudiating their provisions? Why have the basic issues involved in the social-security system been ignored? Why can we, as citizens, not obtain a hearing on specific points? Why has Congress permitted the courts to say the Constitution means one thing to some people, and the opposite to others? How is it that involuntary servitude of any race or color is outlawed, but involuntary servitude of a citizen as a tax collector is upheld?

Has our entire concept of the individual citizen changed? Does Congress regard that individuals have become, or will become, nothing more than a nondescript mass of aged, mediocre individuals, existing only by the grace of a Federal handout at a subsistence level? Our members believe the future of America envisions a very self-reliant, efficient, energetic and productive aged population, living and producing more fully than ever before thought possible. Why should we

believe that our aged would have to be cared for "en masse" by the Federal Government? We believe that through the advances of private medical care, those who are reaching an age which is now regarded as mandatory for retirement, will, in the future, be more productive and more efficient than seems possible at this time.

We believe people will be more able to care for themselves in the days to come than ever before. We are convinced that the productive genius of our people will make possible a much more satisfactory level of living for all. We have faith in the Christian charity of the producers for those who are unable to care for themselves without the utilization of Government force in these areas. Expansion of social security will destroy all this.

Have we gone too far to ask the question of what right the Federal Government has in this area? Have we gone too far to be willing to stop the rush toward Government intervention in areas where it does not belong? Have we no chance of maintaning our States as sovereign units—of keeping any responsibility at home? These questions will determine, in the final analysis, the fate of our Nation. If it is the purpose of Congress to socialize medicine, passage of H. R. 7225 will aid substantially in that purpose.

I hasten to interject that I do not believe that is the purpose of Congress or of any single Member of the Congress. It will add undeterminable amounts to our indebtedness, to our taxes, and will feed the inflationary fires which can easily spell the doom of this land.

If the purpose of Congress is to maintain our Government based on the Christian principles on which our Nation was founded, social security programs will defeat that purpose.

We cannot help asking why Congress does not admit the defects of the social-security system, and admit that its ultimate expansion would establish socialism in the United States.

There is nothing sacred about the social-security system. There is nothing permanent about it. In fact, many of us believe that its doom is sealed, even if it continues to operate as it does at present. There is nothing stable, reliable or dependable about it. Why has Congress not admitted the primary error and discarded the system? It would not be hard to do, and think of the money it would save the taxpayer. The entire program is so confused, so elastic and so irresponsible that it would be better not to compound the damage.

The social-security system in this Nation is very young. No individual has paid more than a few hundred dollars into it. Why not pay them back, with interest? The bonds will probably have to be redeemed some day, regardless. Why not let the States handle their own assistance programs where they can be administered more humanely, more charitably, and much more efficiently? If nothing else, this would eliminate one Government Bureau costing billions and would save the taxpayers $21 million for a new building for wage records, plus an amount impossible to estimate but which could be saved in the future for new buildings, for new records, and more people to make out the records, file them and keep them.

Who can say how much this will grow in the future? It might also help in that important task of balancing the budget and might even make it possible to pay off some of the Government debt which would increase the value of the dollar. We believe this would be a very good idea indeed.

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We believe the citizens of this Nation have the most advanced and the best medical care of any large nation in the world. This has been accomplished through the private practice of medicine, not through government. You will destroy this if you bring Government medicine to the United States, regardless of the manner or method by which it is forced upon the American people. Keep the Government out of medicine and we will continue to provide the people of this Nation with the best, the most efficient, and the least expensive medical care in the world, through the private practice of medicine and the all-important personal physician-patient relationship.

The members of the organization for whom I speak love this country. We are not ashamed, in fact we are proud, of the fact that we are nationalistic. We believe the Constitution and the Bill of Rights are the two most profound statements ever written in the formation of any government. We want to keep our Nation straight upon its course in observing the principles laid down therein.

We believe these principles are violated in the utilization of compulsion and the total disregard of the rights of the minority in programs such as these. We believe the Constitution was intended to protect anyone or any group from being forced into such a system.

We hold every citizen's rights to be equal to ours. We are opposed to the utilization of force to extend economic or politcial control over individuals and groups through such programs. We believe the citizens of this Nation are individuals and that their rights, or the rights of any minority group, should be protected from compulsion in any area which involves personal interests, acts, privileges, and responsibilities not interfering with another's equal rights in the same area.

We sincerely hope this committee and the Congress will reject H. R. 7225.

I wish to thank the members of this committee, on behalf of the members of the organization which I represent, and to express my personal appreciation for the courtesy you have extended in permitting me to express these views.

The CHAIRMAN. Thank you, Doctor.

I submit for the record several telegrams and letters which I have received endorsing the testimony presented by Dr. Doenges this morning.

(The letters and telegrams referred to are as follows:)

SEATTLE, WASH., *February 15, 1956.*

Senator HARRY BYRD,
Senate Office Building,
Washington, D. C:

Dr. Doenges testifying before Finance Committee tomorrow representing my views.

H. F. THORLAKSON, M. D.

BLOOMINGTON, IND., *February 15, 1956.*

Senator HARRY F. BYRD,
Chairman, Finance Committee,
Senate Office Building,
Washington, D. C:

Dr. James L. Doenges, Anderson, Ind., president, AAPS, testifies February 16, Senate Finance Committee, opposing H. R. 7225; his views, mine, and those of most of my patients and colleagues.

HUGH RAMSEY, M. D.

WASHINGTON, IND., *February 13, 1956.*

Hon. HARRY F. BYRD, *United States Senator,*
Senate Office Building,
Washington, D .C.

DEAR SENATOR BYRD: You can favor the cause of Americanism by participating in the Finance Committee hearing of Dr. James Doenges on H. R. 7225, February 16, at which time he will be speaking for thousands of physicians who have been studying social security for the past 10 years to arrive at some irrefutable deductions that you will do well to ponder.

You will find in Dr. Doenges a quality that is rare—the ability to answer any questions that you may have on the subject of preserving traditional American standards. I would trust no other member of my profession to deliver my opinion of H. R. 7225 to your committee.

Sincerely yours,

A. G. BLAZEY, M. D.

GREENVILLE, S. C., *February 14, 1956.*

Senator HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: Dr. James L. Doenges, president of the Association of American Physicians and Surgeons, will appear before the Senate Finance Committee on February 16 to present testimony in opposition to H. R. 7225.

Dr. Doenges is well informed on the Social Security Act and its far-reaching implications. He will not only present views in regard to the medical profession but also facts pertaining to all citizens. He is a stanch American; a supporter and believer in the Constitution of the United States and its strict interpretation. I have known Dr. Doenges for a number of years and he is a close personal friend of mine. He and I have discussed the Social Security Act on numerous occasions and his testimony will represent my views also.

I wish to thank you in advance for allowing him to appear before the committee and for all courtesies you may extend him.

Sincerely yours,

THOS. G. GOLDSMITH, M. D.

The CHAIRMAN. The committee will recess until next Tuesday at 10 o'clock. An executive meeting of the committee will be held tomorrow morning.

(By direction of the chairman, the following is made a part of the record:)

LANCASTER & FINLAYSON,
Gadsen, Ala., February 7, 1956.

Hon. LISTER HILL,
United States Senate, Washington, D. C.

DEAR SENATOR HILL: I want to urge you to recommend to the Senate Finance Committee, and our other representatives, that social security benefits be extended to increase benefits to aid with members of families absolutely dependent upon other working members covered by the present law.

Several cases have come to my attention over the years where one sister or brother works and have other members of the families who, for reasons of health, physical or mental limitations, have never been able to work at all. This, of course, presents a great burden to the breadwinner of the family at the age of 62 and renders the benefits unequal to the job for which the insurance plan was designed and provided for.

One such situation presented itself recently when an elderly lady, now approaching 62, became worried about having to support a sister, only 2 years younger and absolutely dependent upon here, out of her social security money. Such cases are critical where there are no pension plans in effect on the jobs held by the breadwinner.

I do not here propose a solution to this type of hardship, but I do believe, that when legislation is being studied such people should be given every consideration; especially in those cases where earnings over the years have been too meager to provide for personal insurance to meet such needs.

Thank you very much for any consideration you may give this request and for any influence you may feel like lending to an effort to correct this obvious shortcoming in our present social security law.

With kindest regards, I remain

Sincerely yours,

H. WESTBROOK FINLAYSON.

CHARLOTTE, N. C., *February 15, 1956.*

Hon. HARRY F. BYRD,
Washington, D. C.

DEAR SENATOR BYRD: Enclosed herewith is a page from the Charlotte News, the leading evening newspaper of the Carolinas, on which is printed a letter relative to the social-security issue of which I am the author. Please read this letter in its entirety.

I heard over my radio last night that the insurance combine is opposing any reduction in ages whatever; this is a dastardly move and I am praying that you men of the Congress will not be intimidated by this unjust opposition.

I feel in my heart that this legislation is of the most urgent importance, a must and in my opinion should transcend any further bills that are to be considered by your committee.

May God give you the courage to stand firm and see to it that this amendment is liberalized to the extent that it will benefit aged persons at the age of 60 years and the handicapped at the age of 50 years, people who are in dire need now and whom can ill afford to wait until 5 or 15 years hence.

I ask it in the name of Him who said "* * * unto the least of these * * *."

Sincerely yours,

CHARLES F. BARKLEY.

PEOPLE'S PLATFORM

SOCIAL-SECURITY PLEAS FORWARDED

CHARLOTTE.

EDITORS, THE NEWS: With deep humility I herewith acknowledge the sincere letters you, the readers of my Forum letter of January 10, wrote me, many of them most pathetic and heart-rending.

I have passed your plea for consideration, those of you who requested me to do so, on to the solons in committee now in Washington, D. C., and am hopeful that we have in some measure impressed the Members of the Senate with our graphic pictures of dire need and when the issue is presented for vote on the Senate floor our efforts will have borne fruit.

If even now there are others of you who would like to write me in regard to this momentous isuse I shall be pleased to hear from you, either pro or con.

Solvency

The only opposition I have encountered to the proposed legislation seems to be from uninformed sources and it is that some are afraid that the legislation might endanger the solvency of the fund. This opposition is, of course, only conjecture and has no basis in fact. The fund would not be jeopardized even if the ages were lowered to 60 years for both men and women and 50 years for the handicapped as I proposed.

I would like to make it crystal clear at this point that if the legislation is passed, all handicapped persons should be examined by competent physicians before their claims would be considered, as I would not tolerate nor condone any attempts at fradulent or feigned illness or physical disability.

CHARLES F. BARKLEY.

CHARLOTTE, N. C.,
February 17, 1956

Hon. W. KERR SCOTT,
Washington, D. C.

DEAR SENATOR: Your kind and informative reply to my letter of January 24 received several days ago, thank you very much for your offer of cooperation in my crusade.

The crusade is "snowballing" every day as interested readers of my form letter of January 10, 1956 (published in the Charlotte Observer) keep writing me of their pathetic and heartrendering dire needs.

I am enclosing herewith an authentic case letter from a most deserving widow and may I deign request that you have it read into the minutes of the open meetings now being held in committee relative to the amendment of the social security law and if it is possible to become a matter of public record by having it read into the Congressional Record. I am also enclosing a page from the Charlotte News on which is printed a second letter of which I am the author relative to the issue.

In this case letter you will observe that this widow has, like myself been paying into the fund for many years yet does not have enough credits to amount to anything and may even lose what she has paid in unless she can obtain gainful employment and work for a total of 18 credits. Is this fair? I beg of you Senator Scott to see to it that the system of credits is liberalized or even abolished altobether. As it now stands there is no hope for many who, like myself and Mrs. Williams, who would find it extremely difficult to obtain gainful employment at our ages, 61 and 57 years. I believe you to be a man of the people, a man who would fight for the right. Here I rest my case.

If it isn't asking too much I would like to have some information as to what has and is being done in committee there in the Senate hearings.

As I have so stated, I believe this cause has divine sanction and I believe God will bless you for any support you may give this momentuous and vital legislation.

Sincerely yours,

CHARLES F. BARKLEY.

CHARLOTTE, N. C., *February 14, 1956.*

DEAR SIR: I guess I missed your first letter concerning social security.

I wrote two Congressmen about a year ago. I will be 61 February 18. I am unemployed and of course if I tried to get a job, I'd almost be run out with a stick. In fact I have tried and wouldn't have nerve to try again.

I have 10 quarters on social security but after making extensive inquiry I find I will never be eligible unless I bring it up to 18. Although a friend of mine has the same number I have and has drawn 2 years—she is 75. They tell me I'm barely out of the bracket who can be eligible at 65 on 10 quarters. They said I was born in the wrong end of the year or month which sounded foolish.

I derive a small income from two houses which I bought from the money I made while employed and yet this doesn't allow me to come under self-employment because I rent the houses each as unit which is very unfair for even the farmers and nearly everybody is covered.

I would fare better if I didn't have the property, which barely gives me a meager living—rather existence. If I didn't have it I might be able to get old-age assistance at 65, which I don't want, I'd rather get social security then I'd feel like I partly earned it.

I am so poverty stricken I only have a hot plate for heat and stay right in kitchen bundled up to keep warm.

I think it's a shame. I raised my children as widow. I asked for no help whatever; those who did get help are faring better than I.

I feel that I should be covered at 65 either under self-employment or on the 10 quarters I have, since some are drawing on 10. One who worked the same place I did and same amount of time and same number of quarters is Sallie Smith, a friend of mine on Statesville Road. I would like to hear from you by phone or letter.

IVA WILLIAMS.

RACINE, WIS., *February 14, 1956.*

Senator HARRY F. BYRD,
Vice Chairman, Social Security,
Washington, D. C.

DEAR SENATOR BYRD: I am sure it is a waste of time to write this letter for no doubt it will never reach you, but be tossed in the basket by some secretary where many requests and letters go that we send to our Representatives and Senators.

My subject is: Social security covering single women.

We single women as well as married have been waiting patiently to see what was going to be done about lowering the age for women. Now I hear that the age will be lowered only for widows and wives of retired workers.

Why discriminate against single women, we need it too. Many of us have contributed and helped maintain the fund since the very beginning. Just why should we single women be forgotten and neglected?

Remember it is just as hard for older single women to get suitable work as it is for widows and wives. Industry and other sources of employment prefer young girls who can't begin to turn out the work like older qualified women. The older single women have it anything but easy, usually they support an aged parent as I myself did for a number of years. We never had the protection of a husband, financially or otherwise.

Married women have had it much easier than single girls who trudge (no car) to work while they have relaxed at clubs and parties. Why do you think widows and wives are more deserving of the pension than single women?

Another point, many wives worked and earned big money. Some worked for the Government, were teachers, self-employed, etc., and will retire under their respective pension plans and also get their husband's share in social security. Why deny those of us who have worked and contributed to the fund many years?

It appears to me the agency is very unfair in many ways. Some get the cream and others more deserving are pushed around. What does the committee intend to do with the billions in the fund? They do not hesitate in throwing it away on appropriations within the agency with all its propaganda that it's so wonderful, etc., overstaffing of chiefs, directors, and high grades.

Travel and expense accounts are padded as well as overtime reports. Check some of your area officers for proof of my statement; you may be surprised.

Single people have never had any mercy when it comes to paying taxes either. We (myself) like a home and try to maintain one, but get no break whatsoever, not even considered as the head of a household.

I trust and ask you to see the necessity and approve lowering the benefit age for single women and not only for widows and wives of retired workers. Thank you.

Very truly yours,

(Miss) ALICE NELSON.

TOLEDO 2, OHIO, *February 2, 1956.*

HON. SENATORS,
United States Senate, Washington, D. C.

GENTLEMEN: I understand that you are now considering revisions of the Social Security Act.

One effect of sections 203 (b) and 203 (e) of the act as amended by the social-security amendments of 1954 has recently come to my attention which appears to me to be inequitable and probably not intended by Congress in adopting the amendments.

The facts can be summarized as follows: An individual rendered services for wages for sufficient years to be entitled to benefits. During the first 4 months of the calendar year 1955 he worked and received for his services wages of about $3,000. He attained the age of 65 in May 1955, retired from his employment, was found eligible and collected monthly benefits for the remaining 8 months of 1955. Beginning in June 1955 he obtained part-time employment, rendered services in each month, and received wages of $100 for each of the 7 months. He earned no other income during 1955. He files his income-tax return for a calendar year.

An employee of the Social Security Administration has recently informed him that he had improperly collected benefits during the last 7 months of 1955 and is subject to deductions from future benefits.

Portions of the law applicable are:

"SEC. 203 (b). Deductions—shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month—

"(b) (1) in which such individual is under the age of 72 and for which month he is charged with any earnings under the provisions of subsection (e) of this section.

"SEC. 203 (e) (2). If an individual's earnings for a taxable year of 12 months are in excess of $1,200 the amount of his earnings in excess of $1,200 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—notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month—(D) in which such individual did not engage in self-employment and did not render services for wages—of more than $80."

It appears that the Secretary construes the above partially quoted sections to mean that under facts as stated above the beneficiary is to be charged for the months June through December of 1955 with the excess earnings from the period prior to his retirement inasmuch as they were earned during the calendar year 1955.

I question that it was the intention of Congress in adopting the 1954 amendments to the Social Security Act to impose the particular limitations on earnings after retirement achieved by applying the above-quoted sections of the act to the facts stated above.

Most beneficiaries retiring during a taxable year will have earned substantial sums in the months of that year prior to retirement. It is the popular belief that a beneficiary is entitled to earn an average of $100 per month following retirement. Contrary to this popular belief, section 203 (e) (2) imposes a monthly limit of $80 upon wages earned in any month following retirement during the taxable year in which the beneficiary retires.

Prior to the effective date of the 1954 amendment, a self-employed individual was entitled to earn an average of $900 per year in taxable years after retirement without deduction of benefits; a wage earner was limited to $75 in any 1 month. Thus, a wage earner who earned not more than $75 in any 1 month following retirement would not be penalized because of wages earned during the taxable year in the months prior to retirement.

It is my understanding that the 1954 amendments on this point were intended to eliminate the difference between wage earners and self-employed individuals by allowing each to earn during a year the maximum amount of $1,200 without regard to whether the earnings of any 1 month exceeded the average monthly maximum of $100.

However, in correcting this inequity between wage earners and self-employed individuals, the amendments put the wage earner in a position for the taxable year during which he retires worse than his position under prior law. Previously he could earn the average monthly maximum in any month following retirement; now he cannot do so during the year of retirement, instead he is limited to an arbitrary dollar limit of 80 percent of the said average monthly maximum.

If you feel as I do that this particular result is inequitable or does not represent the intent of Congress, may I request that you give consideration to a revision of the Social Security Act, perhaps by providing that the first taxable year of a retiring worker shall be a short year for the purposes of the act, beginning the month of retirement and ending on the end of the taxable year during which he retires.

Yours very truly,

GLENNON B. TASSIE.

INDEPENDENT RECORD,
Thermopolis, Wyo., February 7, 1956.

Hon. KEITH THOMSON,
Washington, D. C.

DEAR CONGRESSMAN THOMSON: It has come to my attention that changes in the social-security law are being considered. In this connection, I would like to suggest that the maximum amount of person 65 years of age or over is allowed to earn in any 1 year, $1,200, be increased.

Most wage earners are paid on a weekly basis. The $1,200 maximum wage is apparently meant to be fixed on a weekly rates of $25. If only 4 weeks are counted for each month, this would work out all right, but actually there are 52 working weeks each year, and on the $25 basis this would amount to $1,300. So the worker is thus forced to take a 4-week layoff or be penalized.

If an older person is to work, he or she must continue in the same job at which they have formerly been employed, as it is practically impossible to obtain new employment. If they continue in the same job, they must work full time as the employer cannot operate his business with employees who are forced by Government restrictions to take periodical layoffs in order to stay within payroll limits.

Even though the $25 weekly limit is pitifully small, it is even more of a hardship when restricted to a 48-week basis. Even though the week pay rate is not increased, the law certainly needs amending so that the worker can earn at least the $25 rate for the full 52-week year, which would fix the yearly amount at $1,300 instead of the present $1,200.

This amendment would not cost the Government nor the taxpayer any additional outlay, but would give the wage earner a break. Actually the yearly amount should be increased to at least $1,500. This would allow for any small incidental amounts the worker might receive during the year.

I trust you will give these suggestions your careful consideration, as I believe it is the general opinion that something along this line is critically needed.

Sincerely yours,

JESSIE L. DUHIG.

UNITED STATES SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D. C., January 31, 1956.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR: I have received a letter from Mrs. Gertrude A. Sederberg, 5247 Washburn Avenue South, Minneapolis, Minn., and Mrs. Sederberg writes me as follows:

"In all of this new and improved social security legislation, has any thought been given to amending the law as it applies to benefits for minor children? It seems some provision should be made to enable these orphaned children to attend school beyond their 18th birthdays so they can have the same opportunity extended more fortunate youngsters who have both parents. The benefit should be payable on behalf of these children until their 21st birthdays if they are attending an approved institution of learning.

"A law similar to that administered by the Veterans' Administration should be considered."

In view of the fact that your committee has H. R. 7225 before it, I felt it desirable to bring this inquiry to your attention so that it might have consideration in connection with the committee's work on the pending bill.

Sincerely yours,

EDWARD J. THYE, U. S. S.

STATEMENT OF RANDEL SHAKE, DIRECTOR, NATIONAL CHILD WELFARE COMMISSION, THE AMERICAN LEGION

Mr. Chairman and gentlemen of the committee, the American Legion appreciates the opportunity to present its views on S. 2388, a bill to amend title II of the Social Security Act to provide for the payment of child's insurance benefits to certain individuals who are over the age of 18 but who are unable to engage in any regular employment by reason of permanent physical or mental disability.

One of the founding principles of the American Legion is to be of service to the disabled veteran and to his dependents and to the widows and orphans of deceased veterans of the two World Wars and the Korean conflict. Out of this principle we have established one of the most outstanding child welfare programs in the country. Over the past 30 years our organization has expended well over —125 million in direct aid to children. We believe our record in the field of child welfare establishes the fact that we have a real interest in the well-being of children and speak from long experience in matters relating to children.

Although our first concern is for the children of veterans, we realize that we must be concerned about all children. Nearly 55 percent of the children in this country are veterans' children and although we have spent millions of dollars for such children, we realize that no single organization, regardless of its size, can expect to meet the special needs which will be found among 27 million children. For this reason, we have felt it necessary to devote an increasing amount of our effort to improving public programs established by the Congress and State legislatures for the benefit of children in general.

The American Legion has taken an active part in shaping the old-age and survivors insurance program from its inception and especially since 1946 when we began receiving requests for financial assistance for children of those veterans who had died shortly after their discharge from World War II of causes not related to their military service. We found that the majority of these dependents were not entitled to any Veterans' Administration pension payment because the veteran had no service-connected disability prior to his death. We also found that many of these veterans had not had sufficient time prior to their death either to gain or regain an insured status under the old-age and survivors insurance program since military service at that time was not "covered employment." This inequity was corrected by the Congress in 1950 when wage credits of $160 a month for military service were authorized.

The American Legion at its 1953 national convention adopted a resolution requesting an extension of old-age and survivors insurance payments beyond the age of 18 years for those children whose benefits were based solely on the deceased's military service. At that time we requested the definition of a "child," for benefit purposes, for this particular group of children be changed to read the same as the definition used by the Veterans' Administration.

The national executive committee of the American Legion meeting in Indianapolis, Ind., May 4–6, 1955, reaffirmed the American Legion's previous position on this subject when it adopted the following resolution:

"NO. 45. DEFINITION OF A CHILD UNDER OLD-AGE AND SURVIVORS INSURANCE

"Whereas an increasing number of children of deceased veterans now receive their chief economic support through the operation of the old-age and survivors insurance system; and

"Whereas the definition of a child for purposes of old-age and survivors insurance is more restrictive than the definition of a child in laws administered by the Veterans' Administration, particularly as seen in the fact that, under old-age and survivors insurance, benefits are not payable to children between the ages of 18 and 21 when remaining in school; and also as seen in the fact that old-age and survivors insurance benefits are not payable beyond the age of 18 in those cases where the child is totally disabled; and finally as seen in the fact that the provisions for benefits to children in cases of divorce, desertion, and illegitimacy are more restrictive under old-age and survivors insurance than under the Veterans' Administration: Now, therefore, be it

"Resolved by the national executive committee in meeting assembled in Indianapolis, Ind., May 4, 5, 6, 1955, That we reaffirm resolution No. 110 of the 35th national convention, urging that the definition of a child for purposes of old-age and survivors insurance be the same as the definition of a child in laws administered by the Veterans' Administration."

The above request to amend the old-age and survivors insurance program definition of a child to conform to the definition used by the Veterans' Administration would involve three changes:

1. Equitable treatment would be afforded illegitimate children of deceased persons who were covered by old-age and survivors insurance at the time of their death.

2. Insurance payments could be continued for those youth who remain in school between the ages of 18 and 21.

3. Benefits would be continued for an indefinite period for those children who were receiving benefits and were totally disabled prior to their 18th birthday.

S. 2388 deals with only point 3 of the changes proposed by our resolution No. 45. Extension of benefits beyond the age 18 years to this group of beneficiaries would involve a fairly small number. The Bureau of Census in 1949 conducted a survey which showed that approximately 1 percent of the children in the age group 14 to 18 could be considered totally disabled. At this time we have about 11 million children in this age grouping and we might expect to find about 100,000 children who are totally disabled between 14 and 18 years of age. If we apply this same 1 percent to the number of children dropped annually from old-age and survivors insurance benefits because of having reached their 18th birthday and who are totally disabled we would arrive at a figure of approximately 700 to 800 children.

If totally disabled children's benefits were continued beyond the 18th birthday, the number of children receiving such benefits after a period of years would of course increase considerably. However, the life expectancy of this particular group would be substantially less than that of a normal population group.

Even after a period of several years it would not appear that the continuation of benefits to this group would place an undue burden on the social security trust fund.

Discontinuance of benefits to a totally disabled child most often places an additional hardship on the widow. Such a child is as much in need of assistance the day after his 18th birthday as he was the day before his 18th birthday. In most instances a widow with a child 18 years old will have reached middle age and her employment opportunities, particularly if the handicapped child is in the home, are almost certain to be very limited. In many cases discontinuance of her benefit and the child's which would occur if the disabled child was the only minor child in the home, will cause a need for public assistance.

The old-age and survivors insurance program must be regarded as a major bulwark against economic insecurity caused by the death of the wage-earning parent. However, the law with respect to this particular group of dependent children seems to fall short of the economic protection that should be afforded them, at least it appears to be less equitable or humane than the law governing Veterans' Administration payments to disabled children.

We believe that the experience gained in administering programs designed specifically for the dependents of veterans over the past 100 years can and should be of considerable value to us in establishing programs for the general population.

We of the American Legion are fully cognizant of the many complexities involved in our present social-security law and the time and careful attention that must be devoted in consideration of its amendment. We do believe that favorable consideration of S. 2388 will provide economic protection to a group which certainly deserves such protection.

We also believe that such an amendment would not entail an expense sufficient to endanger in any way the old-age and survivors insurance trust fund.

The American Legion endorses S. 2388 and respectfully urges favorable consideration of the bill by your committee.

UNITED CEREBRAL PALSY ASSOCIATION, INC.,
New York 17, N. Y., October 28, 1955.

HON. HARRY FLOOD BYRD,
Berryville, Va.

DEAR SENATOR BYRD: The 550,000 persons in the United States afflicted with cerebral palsy (of which it is estimated there are about 285,000 children) are vitally interested in the passage of H. R. 7225, which was read twice in the Senate of the United States on July 19, 1955, and referred to the Committee on Finance.

This is an act to amend the Social Security Act and, among other purposes, it is designed to provide for the continuation of child's insurance benefits for children who are disabled before attaining the age of 18.

The caseload of cerebral-palsied persons is growing steadily. With unrelenting regularity about 10,000 babies are born with cerebral palsy annually—1 every 53 minutes.

Cerebral palsy is the general term for a group of disorders caused by injury to the motor centers of the brain which result in the loss or impairment of voluntary muscle control. The lack of control may be in the arms, legs, tongue, speech mechanism, eyes, or it may affect the hearing. The extent of the disability varies widely and may affect the entire range of muscular activity.

Cerebral palsy occurs most frequently at birth but it may happen at any time before birth, or in childhood or adult life as the result of an accident, illness, or infection. Anyone may be affected by the condition, regardless of age, race, economic standing, or environment.

You can see, therefore, Senator Byrd, that the passage of H. R. 7225 is of vital interest to every person afflicted with cerebral palsy and the relief, in my opinion, in a great many cases, would prevent them from becoming public charges.

With kindest regards,

Sincerely yours,

JACK HAUSMAN, *President.*

NATIONAL ASSOCIATION FOR RETARDED CHILDREN, INC.,
New York 3, N. Y., June 27, 1955.

Hon. HARRY FLOOD BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: It is expected that the House of Representatives will very shortly pass a measure containing several revisions to the Social Security Act, one of which is an amendment to continue benefits for mentally and physically disabled children above the age of 18.

Certain of the other amendments have come under attack as being costly and necessary of prolonged study. I should like to take this opportunity to stress the fact that such is not the case, at least insofar as the amendment to benefit handicapped children is concerned.

Secretary Hobby has publicly stated that the three major amendments, among which is the one I have reference to, would cost more than $2 billion and would necessitate an increase in the payroll tax. An effort was made to have the actuary of the Social Security Administration compute the exact cost of H. R. 2205, a bill identical to the amendment to which I have reference, but met with not success because the cost was "so negligible as to be unworthy of computation." However, it was determined that 10,000 children would benefit; therefore, it is reasonable to assume, since there are now 1 million children on the rolls, that the cost of this part of the program would be increased by less than 1 percent. Surely this would not necessitate an increase in the payroll tax, and is in direct contrast to the overall impression given by Mrs. Hobby.

All of the other major retirement and insurance systems of the Federal Government—including the railroad retirement, civil service, and uniformed services plans—contain the provision I am commenting on here. There are 10,000 handicapped children whose widowed mothers, in providing the personal care they need, are unable to provide the financial care. The families of the 4,800,000 mentally retarded children of the United States—not to mention those with physical handicaps—are most interested in seeing the more unfortunate of their number receive the long-overdue security they deserve. A desperate need can be met at this session of Congress if your committee and the Senate as a whole will see fit to apply this time-tested, inexpensive provision to the Social Security System.

Sincerely,

SALVATORE G. DIMICHAEL,
Executive Director.

ONEIDA-HERKIMER COUNTIES CHAPTER,
ASSOCIATION FOR THE HELP OF RETARDED CHILDREN, INC.,
Utica, N. Y., February 15, 1956.

Hon. HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

DEAR MR. SENATOR: The Oneida-Herkimer Chapter for the Help of Retarded Children has unanimously requested me to write to you about a proposed amendment to the Social Security Act.

Last year the Congress gave attention to a proposal that would permit a widow under age 65 to continue receiving survivors benefits for herself and child, after the child had reached the age of 18, if that child were totally dependent because of mental or physical disability. This proposal is likely to arise again during the current session of Congress. The Oneida-Herkimer Chapter of the Association for the Help of Retarded Children hopes that you will support this proposal and that it will be enacted into law.

The financial burden falling on the parents of mentally retarded children is enormous. Such children are ordinarily not well provided for in the public schools or in other institutions—the latter being often dangerously overcrowded or otherwise quite inadequate. These children must often be cared for entirely at private expense; and what training they are able to absorb can often be given only in private and costly schools or special classes. Medical and diagnostic expenses are sometimes fantastic in amount. Retarded children become adults, and must receive lifetime care. Even moderately well-to-do families are seriously handicapped in their efforts to build up estates of trust funds for their retarded children simply because current outgo for their care is excessive. Amendment of the Social Security Act as suggested above would not solve the family's financial problem, but would be a great help in cases in which the breadwinner had died prematurely.

We believe that this is a matter of public concern. Since industry, commerce, Government service—indeed, society at large—reject these children even when they possess some degree of competence, the problem would appear in part to be one for the Nation as a whole rather than for individual families alone. We trust that this matter will enlist your warm support.

Very sincerely yours,

ELIOT HUNT, *President.*

ARLINGTON, VA., *February 16, 1956.*

Senator HARRY F. BYRD,
Senate Office Building, Washington, D. C.

DEAR SENATOR: Dr. James Doenges, national president, Association of American Physicians and Surgeons, addressed a meeting of the Alexandria, Arlington, and Fairfax Medical Societies tonight. He stated he appreciated your consideration at the hearing today in which he presented our objections to compulsory inclusion in social security. Our associations represent over 300 physicians in northern Virginia. We thank you for this consideration.

JOHN T. HAZEL, M. D.,
Virginia Delegate, Association American Physicians and Surgeons.

NATIONAL INDEPENDENT UNION COUNCIL,
Washington, D. C., February 23, 1956.

Re H. R. 7225, Social Security Amendments of 1955.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR CHAIRMAN BYRD: We take this opportunity to advise your committee that our organization, the National Independent Union Council, which speaks for a substantial number of the more than 2,500 independent unions in this country is highly in favor of passage of the above-captioned bill or some liberal version that may be brought out by your committee.

We are particularly distressed by the present conditions existing under the act since it does not provide any benefits for disabled workers until age 65. As a rule most of those who are disabled in industry never live to reach the qualifying age. Furthermore, we feel that consideration should be given to the widows of those who receive social security. Under the existing law they have no protection whatsoever in case they are not 65 when their spouse passes away. In many cases the widow is considered too old and is unable to obtain work. As a result they are left without any protection whatsoever under the act until age 65.

Our organization is highly in favor of reducing the age for optional retirement with social security benefits.

We hereby request that our organization be placed on your mailing list to receive copies of transcript of the hearings in all matters related to this most important legislation.

Yours very truly,

DON MAHON, *Secretary.*

NEW YORK STATE JOINT LEGISLATIVE
COMMITTEE ON PROBLEMS OF THE AGING,
Albany, N. Y., February 29, 1956.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee, Washington, D. C.

DEAR SENATOR BYRD: It is an honor to present to you herewith a declaration of principles, signed by many of the Nation's outstanding experts on old age.

Many of these individuals, renowned scientists, outstanding social scientists, or persons of great eminence in working with old folks, feel that social security needs to be examined in far broader terms than it has been by Congress, that the needs of the aged need to be examined on a more comprehensive basis than by piecemeal approach.

The importance of this declaration lies in the fact that it is the first expression of views made to the Nation, through you, by the new science of gerontology.

The statement is broad. The statement is general. But the statement is basic.

All those listed on the declaration are men and women who are giving their lives to improving the lot of our aged. They would be glad to confer with you at any time, I'm sure, that you feel you or your staff may want help on problems affecting the aged.

With best wishes, I am,

Sincerely yours,

ALBERT J. ABRAMS.

P. S.—We hope you will add this declaration to the record of your hearing.

A. J. A.

DECLARATION OF PRINCIPLES

(This declaration of principles, signed by 25 of the leading old age experts in the United States, was presented today to the United States Senate Committee on Finance in Washington currently holding hearings on social security. It was prepared to focus the attention of Congress and the Nation on fundamental issues that need to be resolved to aid our aged.)

Great and important changes have been wrought on our culture by social security.

1. Social security needs to be viewed from its total impact on our culture and economy, not simply as a minimal pension.

For example, already old age and survivors insurance has had an enormous impact on our total society.

(*a*) It has made our elderly more independent within the framework of our family. Today our aged are less dependent on children, or on family charity.

(*b*) It has made our elderly more mobile. Our aged are no longer imprisoned in their old neighborhoods, old homes, and old communities, and are free to move if and where they wish. As a by-product of this mobility, the aged have helped develop great new communities, boomed land values, changed the marketing patterns of large enterprises.

(*c*) It has enabled our elderly to obtain a more adequate diet, and thereby has contributed to increased vigor and longevity. We have no definitive studies on this point, but tangential evidence and our experience with the aged tend to confirm this.

(*d*) It has removed from millions of aged the fear of a grave in Potter's field and pauperism. This "peace of mind" factor, although intangible, has contributed we believe substantially to promoting the well being, emotionally and physically, of middle-aged and older persons.

(*e*) It has helped to remove the necessity of our aged persons literally "working themselves to death." In the presocial security era, an aged person unless blessed with savings, or reasonably well-off children, often found no rest, no time to "enjoy life"; there was no retirement except from life itself.

(*f*) It has helped to enable many of our older people to free themselves to develop cultural interests, civic responsibilities and hobbies. The creativity of later life in recent years is in many cases a function of social security.

So we emphasize that individual social security bills must be viewed not simply from the viewpoint of providing a guaranteed income to more aged, but in addition from the broader aspects of their impact on our entire economy.

2. Universal social security coverage to cover all, regardless of occupation, profession, or type of employer is a desirable primary goal.

(*a*) There has been a tendency in social security legislation to make coverage for those who work for nonprofit groups, public agencies, or those engaged in certain professions or occupations dependent on referenda. We find that no group is immune from ravages of indigency, or what is often worse, genteel poverty, regardless of whether they work for a social agency or church or are a member of a profession, etc.

3. *Social security was dedicated originally to the prevention of poverty, but this goal has been slighted, and needs to be reemphasized.*

(*a*) There can be no social security unless an effort is made to root out as early as childhood those factors in human development which may lead to indigency.

(*b*) There is need for integrating social security system with casework counseling, with a retraining program for older workers, with special job counseling and placement service of older workers in part-time jobs, available to all regardless of incomes.

4. *A social security system does not really provide an adequate amount of security unless it protects our aged from the indigency that comes from the sickness of later life.*

(*a*) Congress has before it several proposals for protecting the aged against the hazards now induced because of the high cost of hospitalization and sickness caused by diseases of later life. We believe that passage of an effective method of helping the aging meet the cost of such illnesses is urgently needed as part of our social security system, whether it be on the basis of financial aid to private hospitalization funds or a health insurance system. Today the onerous costs of terminal care ruin the lives of children and children's children, even unto the third generation. Most health insurance plans make no provision for nursing care. We respectfully recommend action on health programs of the aged at this session of Congress.

5. *Social security must develop a flexibility it does not have at present.*

(*a*) There is a rigidity about social security both in law and in the public's mind that needs to be overcome. Older persons should receive, as in England, an incentive to continue work beyond established retirement age through increased social security, particularly in times of labor shortage. The social security law should be used to enable (1) the elderly to withdraw from the labor force in time of labor surplus, and (2) their widest participation in the labor force in time of labor shortages.

6. *The orderly integration of old age insurance and old age assistance systems is needed.*

(*a*) We are currently wasting the skills of trained social workers who are devoting their time to checking eligibility of old age assistance applicants, when their abilities are needed to provide counseling. More importantly, there is no need to wait 20 years or more, the rate at which the OAA rolls are declining, to eliminate old age assistance. This can be speeded up, so that our indigent aged are covered into the social security system, and freed from the invasion of privacy characteristic of the old age assistance system. We believe that if necessary for such prompt integration, the old age insurance fund should supplement employer-employee contributions with general fund payments.

7. *We do not believe that Congress can fully understand the needs of our aged, nor legislate properly for the aged, by the current piecemeal approach. Legislation for the aged ought to be done on a comprehensive basis.*

(*a*) Congress has before it numerous bills on housing for the aged, social security, which should be considered at this session. However, this piecemeal approach is not conductive to the best interests of our aged, or if this be not practical, a joint congressional committee be assigned to deal with the numerous problems of later life. Many of these complex problems overlap and cannot be treated separately. Congress needs to obtain the whole picture of older peoples in our culture, their needs, their problems.

The following persons have approved the declaration of principles:

Ferdinand H. Rosenthal, executive director, Jewish Home for Aged at Pittsburgh, Pittsburgh, Pa.

Theodore Charnas, chairman, section on aged, New York Welfare and Health Council, 44 East 23d Street, New York City

Dr. E. M. Bluestone, director, Montefiore Hospital, Gun Hill Road, near Jerome Avenue, New York City

Walter M. Beattie, Jr., director, service to the aging, the Community Welfare Council of Madison, 14 West Johnson Street, Madison 3, Wis.

Dean Willis H. Reals, Washington University, St. Louis 5, Mo.

Jerome Kaplan, executive secretary, Governor's Committee on Aging, Hennepin County Welfare Department, 134 Courthouse, Minneapolis, Minn.

Prof. Irving Lorge, Teachers College, Columbia University, New York City

Mrs. Jean Wallace Carey, executive secretary, Federation of Protestant Welfare Agencies, 207 Fourth Avenue, New York City

Dr. E. V. Cowdry, past president, International Gerontological Society, Washington University Medical School, St. Louis 5, Mo.

Frederick D. Zeman, chairman, subcommittee on geriatrics, New York State Medical Society, 364 Fourth Avenue, New York City

Miss Ollie A. Randall, past president, American Gerontological Society, consultant on aging, Community Service Society, 105 East 22d Street, New York City
Arthur H. Tryon, president, Los Angeles Board of Supervisors, Senior Citizen Center, 306 West Third Street, Los Angeles, Calif.
Julius Weil, executive director, the Montefiore Home, Cleveland, Ohio
Mrs. Geneva Mathiasen, executive secretary, National Committee on Aging, National Social Welfare Assembly, 345 East 46th Street, New York City
Dr. Michael M. Dacso, chief, rehabilitation service, Goldwater Memorial Hospital, Welfare Island, New York City
Dr. Clive M. McCay, professor of nutrition, School of Nutrition, Cornell University, Ithaca, N. Y.
Dr. Robert W. Kleemeier, director of research on aged, Loyal Order of Moose, Moosehaven Research Laboratory, Orange Park, Fla.
Dr. Sidney L. Pressey, department of psychology, the Ohio State University College of Education, Columbus 10, Ohio
Dr. A. J. Carlson, professor emeritus of physiology, University of Chicago, Chicago, Ill.
Dr. Irving L. Webber, department of sociology, University of Florida, Gainesville, Fla.
Miss Ruth Andrus, director, the Cold Spring project of the Walt Foundation, Inc., Cold Spring, N. Y.
Dr. Ernest W. Burgess, professor of sociology, University of Chicago, Chicago, Ill.
R. O. Beckman, consultant in management, personnel and training, 164 West 16th Street, Hialeah, Fla.
Albert J. Abrams, director, New York State Joint Legislative Committee on Problems of the Aging, room 430, the Capitol, Albany, N. Y.
John A. Ruskowski, associate director, New York State Joint Legislative Committee on Problems of the Aging, room 430, the Capitol, Albany, N. Y.

(Whereupon, at 12:30 p. m., the committee adjourned, to reconvene at 10:10 a. m., Tuesday, February 21, 1956.)

SOCIAL SECURITY AMENDMENTS OF 1955

TUESDAY, FEBRUARY 21, 1956

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

The committee met, pursuant to call, at 10:10 a. m., in room 312, Senate Office Building, Senator Robert S. Kerr presiding.

Present: Senators Kerr (presiding), George, Long, Barkley, Martin, Carlson, Williams, Wallace, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

Senator KERR. The meeting will come to order.

The Chairman has asked me to insert in the record of the hearing today a letter from Dr. Arthur J. Altmeyer, former Administrator of Social Security, expressing his wholehearted approval of the reduction-of-age requirements for women and payment of disability benefits as proposed in H. R. 7225.

(The statement follows:)

MADISON 5, WIS., *February 14, 1956.*

Senator HARRY F. BYRD,
Chairman, Committee on Finance,
The United States Senate,
Washington, D. C.

DEAR SENATOR BYRD: Because of my past connection with the administration of the Social Security Act, I am presuming to write you relative to the amendments embodied in H. R. 7225, which is now being considered by your committee. The most important amendments are, of course, those providing benefits for permanent and total disability and reducing the qualifying retirement age for women.

As I have indicated to the Congress on many occasions in the past, both in my annual reports as Commissioner for Social Security and in appearances before committees, I strongly favor these two amendments. I shall not repeat at this time my reasons for doing so. However, I thought your committee might be interested in my views regarding administrative feasibility and probable costs which usually have been the chief objections stressed by opponents.

As regards protection against income loss due to permanent and total disability, this phase of social security has been subject to continuous study by the administrative branch and by the Congress since 1934, a period of 22 years. Not only has the House Ways and Means Committee and the Senate Committee on Finance given consideration to this matter in the usual manner, but the Senate Committee on Finance on two separate occasions has appointed an Advisory Council on Social Security (in 1938 and 1948) which considered it. The first Advisory Council unanimously agreed that it was socially desirable to provide social-insurance benefits to permanently and totally disabled persons, but disagreed as to the timing of the introduction of these benefits. Fifteen of the 17 members of the second Advisory Council recommended the inclusion in the contributory social-insurance system of protection against income loss due to permanent and total disability.

Fortunately, it is no longer necessary to rely upon theoretical arguments pro and con regarding administrative feasibility and probable costs, since a considerable body of actual Government experience has now been built up. The

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Government experience with permanent total disability to which I refer is as follows:

1. The experience under the United States civil service retirement system, the other Federal retirement systems, and the many State and local retirement systems which usually include permanent and total disability benefits.

2. The experience under the Federal Employees Compensation Act, the Longshoremen's and Harborworkers' Compensation Act, and the State workmen's compensation acts, all of which include benefits for permanent and total disability. The experience under the Federal acts just mentioned which cover occupational disease as well as accidents and the State acts which do so is especially pertinent.

3. The experience of the Veteran's Administration in the payment of benefits for permanent total disability, both service-connected and non-service-connected, and in the payment of such benefits under the United States Government life insurance.

4. The experience under the Railroad Retirement Act, which has included permanent total disability benefits from the very beginning, is particularly significant since that act represents a companion contributory social insurance system.

5. The experience under title XIV of the Social Security Act providing Federal grants to the States for aid to the permanently and totally disabled, enacted in 1950.

6. The experience under the so-called disability "freeze" provision included in the 1952 and 1954 amendments to the old-age and survivors insurance system.

All of the foregoing experience has demonstrated that there are no insuperable administrative difficulties and that the cost can be kept within reasonable limits. I shall not undertake to analyze that experience in detail. However, I do wish to call particular attention to the experience that has already developed under the "freeze" provision in old-age and survivors insurance. Last July, when the then Secretary of Health, Education, and Welfare appeared before your committee, she stated, "Without any significant experience under the disability 'freeze,' we are not in a position to give the Congress our considered judgment at this time on these and other alternatives." She went on to point out that through July 15, 1955, only 374 State determinations of disability under the disability "freeze" provision enacted in 1954 had been received. The situation in that respect is quite different today. As of January 20, 1956, 106,130 determinations had been made. The "freeze" had been allowed in 65,659 of these cases and denied in 40,471. As of November 1, 1955 (the latest date for which figures are available), 23,000 disabled persons and their dependents were actually receiving increased benefits as a result of the "freeze."

The proposal for reducing the qualifying age for women, of course, presents no administrative difficulties. The chief arguments usually made against this proposal are the increased cost and the allegation that it would result in more women leaving the labor market at an earlier age. As a matter of fact there is no statistical evidence to indicate that any appreciable number of persons, men or women, leave the labor market sooner than they otherwise would, simply because they have reached the minimum retirement age under the old-age and survivors insurance system. On the contrary, the evidence indicates that they are usually forced out of the labor market either because of physical disabilities or because they cannot find a job as they grow older.

Cost is always an important consideration that must be kept in mind, particularly in a self-sustaining contributory social insurance system where the cost of the benefits is met by payroll taxes. Therefore, I should like to make some comments as regards costs which I trust may be helpful.

The actuary of the Social Security Administration has already testified before your committee that the net intermediate level-premium cost of all of the changes proposed in H. R. 7225 would be 0.94 percent of covered payroll. In my judgment the actuary has made as good an estimate of the probable cost of these proposed new benefits and of the benefits already provided under the old-age and survivors insurance system as is humanly possible. However, I wish to point out that all of his estimates are based upon the assumption that there will be no future increase in the general level of earnings. This is, of course, contrary to the actual experience in the past, particularly since 1939, since which time average weekly wages have trebled. As you know, when wages increase the increase in benefits is considerably less than the increase in contributions. Thus, as the actuary pointed out in his testimony, his present estimate of the cost of the benefits in the existing law, based on 1954 earnings has been reduced by 0.26

percent of payroll from his 1954 estimate based upon 1951–52 earnings. He also stated that a "possibly lower cost" would result if the cost estimate were made on the basis of 1955 earnings. In my opinion there is no question that such a cost estimate would be lower because of the considerable increase in earnings in 1955 as compared with 1954.

But even though the present estimate of the cost of the existing law is less than the estimate made in 1954, I believe that there should be an increase in the revenues to compensate for the additional benefits now proposed. However, I would recommend that the committee consider the desirability of meeting at least some of the increased cost by raising the maximum annual earnings on which contributions and benefits are based. About one-half of the regularly employed male workers now earn more than $4,200. In 1938 only 6 percent earned more than $3,000, which was the maximum in the law at that time.

The actuary could easily estimate how much higher the maximum annual earnings would need to be to meet the entire additional cost of the proposed benefits or such proportion of the additional cost as the committee deemed desirable. I would suggest that the actuary make his calculations, assuming an annual increase in the earnings level of 2 percent.

I trust the foregoing comments and suggestions may be of some interest to your committee in its deliberations.

Sincerely yours,

A. J. ALTMEYER.

Senator KERR. Mr. Charles Smith.

STATEMENT OF CHARLES H. SMITH, DIRECTOR OF THE VIRGINIA SUPPLEMENTAL RETIREMENT SYSTEM ON BEHALF OF THE LEGISLATIVE COMMITTEE ON THE CONFERENCE OF STATE SOCIAL SECURITY ADMINISTRATION

Mr. SMITH. Mr. Chairman, members of the committee, my name is Charles H. Smith, director of the Virginia Supplemental Retirement system. I appear, however, before this committee as spokesman for the legislative committee of the Conference of State Social Security Administrators, under authorization of the national conference in meeting November 7 and 8, at Baltimore, Md. The membership of the conference is composed of State personnel responsible for administering the coverage provisions of the old-age and survivors insurance program as it relates to approximately 4½ million governmental employees.

Before discussing the extension of coverage, which is the primary interest at this time of our conference, we desire to comment on the benefit liberalizations and rate increase contained in H. R. 7225.

It is our belief that the 1954 benefit amendments are too new to have provided sufficient experience on which to add new amendments.

H. R. 7225 contemplates a change in the original philosophy of social security by reducing the retirement age of women and providing disability benefits. If the basic philosophy of social security, which provides a floor benefit, is to be changed, a complete study and investigation should take place, following which amendments, changing that entire philosophy, should be enacted, rather than the piecemeal program now offered in H. R. 7225.

If study determines that a change in philosophy is warranted and the benefits thereby liberalized, the increased level of contributions required by the cost of such amendments should be assessed immediately upon enactment. Since the legislative assemblies of States meet at varying times and since most public bodies operate on very tight budgets, the effective date of such enactment must be set far

enough in the future that each State legislature, in regular session, has the opportunity to make necessary budget preparation.

It is to be further realized that a reduced retirement age under old-age and survivors insurance will bring about pressure for similar reductions in the retirement age in many retirement systems. The increased cost to the employees will bring about agitation for salary increases, while the reduced retirement age will radically increase the taxpayers' expense for retirement systems. Thus the ultimate increase in costs is far in excess of 1 percent of subject salary.

It is obvious that there is a saturation point beyond which public bodies may not venture in this one phase of government. A liberalization of benefit provisions of the old-age and survivors insurance program should therefore be forecast far enough in the future that necessary adjustments can be made in existing retirement systems.

We would point out further that many States and local governments have coordinated their retirements systems with old-age and survivors insurance on the basis of the rate time table heretofore published and an increase of rate of contribution prior to that provided in the schedule will violate the agreement between the employees and the employer with serious financial effect.

Moving from benefits to coverage, the position which our conference takes with respect to coverage of State and local governmental employees is that no restriction should be placed upon the authority of the State in the extension of OASI coverage. We believe that the governing bodies are best able to handle matters such as this at the local level. Requiring a favorable referendum of a retirement system membership before a State or local governing body may act to provide OASI coverage unduly restricts the authority of the legislative bodies. We also believe that policemen and firemen should be given the same privilege of attaining OASI coverage as afforded to other governmental employees.

We urge that the act be so amended as to permit the State and local governing bodies to take such action as they deem desirable.

If it is not possible at this time to remove all of the governmental coverage restrictions of the Social Security Act, we desire that you at least make it possible for all groups, including policemen and firemen, to participate in the OASI program.

In order to allow State and local governmental employees now barred by a combination of State constitutional and/or financial limitations to obtain OASI coverage, we request that the act be amended to permit local governing bodies to establish new retirement systems or a division within the present systems coordinated with social security to which all new employees must belong, and by individual election to include members of the existing retirement systems.

We have an amendment which would appear to take care of the situation. I will not read it.

(The amendment referred to is as follows:)

Strike out the words "On the date of enactment of the succeeding paragraph of this subsection" in the body of paragraph (B) of section 218 (d) (1) of the Social Security Act, and insert in lieu thereof "on December 31, 1957," and also strike out the words in the parenthetical expression in said paragraph "to the date of enactment of such succeeding paragraph" and substitute therefor "to December 31, 1957."

We respectfully ask that the Senate legislative counsel confer with the Department of Health, Education, and Welfare in preparing the necessary amendments to accomplish the aims as herein listed.

On behalf of myself and the other members of the committee who are present today—Steven E. Schanes, of New Jersey, W. Frank DeLamarr, of Georgia, Donald M. O'Hara, of Michigan, Tatum W. Gressette, of South Carolina, Max M. Manchester, of Oregon, and W. T. Blair, our chairman, of Tennessee—I would like to thank you, Mr. Chairman and members of the committee, for the opportunity of presenting our views on the pending bill.

Senator KERR. Thank you very much, Mr. Smith.

Are there any questions?

Senator BENNETT. I would just like to ask Mr. Smith one question, if I may, Mr. Chairman.

On page 2 he says, in the second paragraph:

> It is to be further realized that a reduced retirement age under old-age and survivors insurance will bring about pressure for similar reductions in the retirement age in many retirement systems. The increased cost to the employees will bring about agitation for salary increases, while the reduced retirement age will radically increase the taxpayers' expense for retirement systems. Thus the ultimate increase in cost is far in excess of 1 percent of subject salary.

Did your conference make any attempt to estimate how high such an increase in cost might go?

Mr. SMITH. Senator Bennett, we have not made a study with regard to that. When we talk of the increase over and above the 1 percent, of course, we are thinking about the cost which will be borne by the State and local governmental bodies under local systems. If the age is lowered there will be pressures to bring about the lowering of the age in the local system.

We think that the cost, the 1 percent provided in H. R. 7225, is not all the cost to the taxpayer since we are going to have to do something back at the local level.

We have not made a study, sir, with respect to what that cost would be, but I am sure it would be quite considerable.

Senator BENNETT. Wouldn't it also have a tendency to increase the cost to the employer and the employee in private systems if the age was lowered there as a result of the pressure of the age lowering in the OASI?

Mr. SMITH. Yes, sir; I would think so. But we were merely directing our remarks here to the governmental groups. I think it would have the same effect with other employers.

Senator BENNETT. Do you know of any agency that has made such a study?

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

Senator BENNETT. So that it would be available to this committee?

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

Senator BENNETT. That is all, Mr. Chairman.

Senator KERR. Mr. Smith, you say that there are approximately 4½ million governmental employees of the States and local agencies of government——

Mr. SMITH. Yes, sir, that is the figure which would——

Senator KERR (continuing). Now covered?

Mr. SMITH. No, sir; there are not 4½ million covered. I would say approximately 1½ million.

There are restrictions, as you know, which have kept out of the OASI coverage certain groups.

Senator KERR. I thought you said the membership of the conference is composed of State personnel responsible for administering the coverage provisions of the old-age and survivors insurance program as it relates to approximately 4½ million governmental employees?

Mr. SMITH. Senator Kerr, I did not mean to infer that 4½ million were covered. We are responsible, however, for the administration of the coverage provisions.

Senator KERR. Would it relate to anybody that it did not cover?

Mr. SMITH. It would relate to those who may take action to come under and I would say, sir, our responsibility may relate to those not covered.

Senator KERR. But as of now there is about a million and a half?

Mr. SMITH. A million and a half under the coverage; yes, sir.

Senator KERR. Now, over here you say:

If it is not possible at this time to remove all of the governmental coverage restrictions of the Social Security Act, we desire that you at least make it possible for all groups, including policemen and firemen, to participate in the OASI program.

In order to allow State and local governmental employees now barred by a combination of State constitutional and/or financial limitations to obtain OASI coverage * * *

and so forth.

How could we amend the act so as to take in governmental employees now barred by State constitutional provisions?

Mr. SMITH. It is our belief, sir, you should permit a governmental unit to establish a new retirement system—and members in the then existing system should not be required to move over into the new system. New employees would be under the new system. The old system membership may remain in the old system, thus vested rights would be fully protected. We should have a reasonable period of time for those who are in the old system to determine whether or not they desire to move into the new system.

That has the effect, sir, of a referendum in that you take nothing away from them. You merely give them the right to move over if they so desire.

Senator KERR. Well, if the State constitutional provision bars a State employee, or group of State employees, from participation in this program, do you think that Congress could pass a law which would set that constitutional provision aside?

Mr. SMITH. Senator Kerr, when we are thinking about the constitutional limitations, we do not mean that the State constitutions say you are barred from social-security coverage, but there are provisions in some constitutions with respect to vested rights under local systems.

Senator KERR. You understand, I am not trying to argue with you. I am just trying to understand what it is you seek.

Senator GEORGE. What you mean is that the State has not set up a bar against them coming into the system?

Mr. SMITH. That is correct, sir.

Senator GEORGE. But that, under the existing system, they have acquired certain vested interests and the State, therefore, cannot put them in, force them in?

Mr. SMITH. Yes, sir; that is correct.

Senator GEORGE. We thought we had covered that at one time. We have learned, of course, that the agency does not think so. And what you want to make possible is that the new system may be set up, into which new employees will go, and the local governing body, the Sate, let us say, in the case of State employees, may also include members of the existing retirement system; but having no authority to force those who have a vested right to give up their rights and go in, yet may make it possible for the State to set up the new system with such of those present employees who elect to go in anyway?

Mr. SMITH. Yes, sir; that is correct. In other words, we are thinking in terms of protecting the vested rights of those who are covered under a retirement system. And I think, certainly, a procedure like this would accomplish that.

Senator KERR. I take it your recommendation is at least twofold: No. 1, that if the age of retirement for women beneficiaries and new benefits to disabled beneficiaries and so forth are to be put into the act, you think that the State should have a considerably longer period of time than now available to them in which to elect to take advantage of that with reference to those employees of theirs who are now covered or may hereafter be covered. That is No. 1.

Mr. SMITH. Senator, one problem is in connection with the financing of the governmental units. As you know, some legislatures meet in odd years and some in even, and if you should decide that now is the time to make the change, say effective January 1, 1957, it would place some of us in a rather awkward position because our budgets are approved using the existing contribution rate.

Senator KERR. I understood you to say that, and I was trying to clarify your recommendations, at least in my thinking. And I gathered that you are recommending that the effective date of such enactment must be set far enough in the future so that each State legislature has the opportunity to make the necessary budget operation.

Mr. SMITH. Yes, sir.

Senator KERR. That is the first one of your recommendations.

Mr. SMITH. I think you might say the first recommendation, Senator Kerr, is that we think we should have a study of the program. We think that possibly moving out at this time is a little bit too quick; that we ought to have more time for study. Then if it determined that there should be some changes, as I am sure there will be, then of course, we would like to have the effective date of that extended far enough ahead, so that it would not work any hardship on any of the governmental units.

Senator KERR. Then I take it, as I understand it, your second recommendation or another recommendation, is that amendment be made which would enable groups of State or local governmental employees not now covered to become eligible for coverage.

Mr. SMITH. One group in particular, sir, the policemen and firemen, who as you know, now do you have the right to a referendum. And we have a great number of States, members of our conference where there is agitation among the policemen and firemen at the local level, interested in having an opportunity at least to express whether or not they desire coverage.

Senator KERR. Let me read what you said and see if it is not what I understood it to be. On page 3, the second paragraph:

> If it is not possible at this time to remove all of the governmental coverage restrictions of the Social Security Act, we desire that you at least make it possible for all groups, including policemen and firemen, to participate in the OASI program.

I take it from that that you are asking us to amend this law so that all or any group of State or local governmental employees not now participating and not now eligible to participate may have the right to come under it?

Mr. SMITH. Yes, sir.

Senator KERR. Including firemen and policemen?

Mr. SMITH. Yes, sir. We are merely emphasizing the firemen and policemen because of their present exclusion under the referendum provision.

Really, I think I should say, sir, that we are primarily interested in having no restrictions at all placed upon the governing bodies at the State or local level. We feel that the referendum is not necessary. We have had sufficient experience where action has been taken to prove the vested rights of individuals will be protected—and we feel that the legislative bodies who provide the local employee a retirement system should not have any restrictions placed upon them. We think that they should be able to do whatever they desire to do.

And I think, being practical about the matter, that you will find that as in Virginia, few, if any, local governmental units would take away the vested rights of individuals. I think they would certainly guarantee vested rights.

Senator KERR. What restrictions have we placed on local governmental units?

Mr. SMITH. The restrictions, sir, with respect to those who are in positions covered under a retirement system is that before a governing body can take action a referendum of the membership of the retirement system must be held, and at least a majority of the members, not a majority of those voting, must vote in favor.

Senator KERR. Do you know how that happened to be in the law?

Mr. SMITH. There were pressures, sir, I am sure. I happened to appear before the House Ways and Means Committee opposing a referendum. I think you will find the National Education Association was very much interested in the present procedure. You will find also, I believe, the policemen and firemen representatives were not interested in the referendum, they were interested in not being covered.

Senator KERR. They were interested in not being forced into it, weren't they?

Mr. SMITH. That is right, sir.

Senator KERR. Aren't you aware of the fact that not only the people covered, but the governmental agencies providing and administering those programs, requested that they not be compelled to do this?

Mr. SMITH. Sir, I appeared before the House Ways and Means Committee and urged about what I have stated here, that we felt that there should be no restrictions.

Senator KERR. You were not the only witness that appeared there?

Mr. SMITH. No, sir, I realize that. I was only one witness. But the position which we are taking now is the same position that we took when this bill was before the Congress.

Senator KERR. As one member of this committee, I do not regard that as a restriction. I regard that as just the opposite of a restriction.

Mr. SMITH. I would say, sir, that it is somewhat of a restriction because the governing body cannot bring under coverage any group, under a retirement system, and it only applies to those under a retirement system, until the group has, by referendum, approved. To that extent, I think it is a restriction.

Senator KERR. You regard then as a restriction a provision that makes a group eligible if they want to come in, but which fixes it so that they cannot be compelled to come in unless they do want to come in; do you regard that as a restriction?

Mr. SMITH. Not as a restriction as to the individuals, no, sir. I am thinking in terms of the restriction with respect to the legislative bodies, because they do not have the right to bring in anyone under a retirement system, until the employees in those positions take action in favor of coming in.

Senator KERR. Then you think we ought to amend this law so that any local governmental administrative group or legislative body of a State can compel its members, although they have got vested rights in a program in which they have been participating many years, whether they want to do so or not. That is what you are recommending?

Mr. SMITH. I do not recommend that the vested rights be overlooked, sir, and I think local governing bodies will protect them.

Senator KERR. But you are recommending, though, that as far as we are concerned, we fix it so that the local governing body can be the sole judge to what degree they protect the vested rights?

Mr. SMITH. I think so. We can rely on our local governing bodies to take care of the vested rights of those members.

Senator KERR. Don't you think we can rely on the members of those organizations protecting their rights too?

Mr. SMITH. I think, after all, it is really up to the governing body who first gave them their retirement system to be able to take whatever action they deem appropriate.

Senator KERR. They are paying for that in accordance with their contracts, aren't they?

Mr. SMITH. Yes, sir, they are.

Senator KERR. Well, don't you think they have just as much right to see about protecting those contracts as the governing bodies have?

Mr. SMITH. I think they have certainly an interest. But I think you can rely, sir, on your governing body. And the experience which we have had under this program is evidence enough that you have nothing to worry about.

Senator KERR. Don't you have it fixed so that to the extent that you can rely on them they are effective? We have it fixed so that those people can come in if the administrative body wants to and the people are willing to.

Mr. SMITH. But the members of a retirement system must act before the administrative body can cover them.

Senator KERR. Why do you say before? Isn't it——

Mr. SMITH. Because we are only thinking in terms of a retirement system coverage group.

Senator KERR. Who would initiate the referendum?

Mr. SMITH. The referendum, in the first place, would probably be initiated by the membership of the retirement system through a director or someone else.

Senator KERR. Couldn't it be initiated by the administrator of the governing body?

Mr. SMITH. It certainly could if the governing body desired.

Senator KERR. All right.

Senator BARKLEY. Let me ask you this question: If your idea is carried out here and it is left to the governing bodies in the different States and local communities, wouldn't you have a spotty situation where some within the same category would be in and others would not be in?

Mr. SMITH. That is true, sir.

Senator BARKLEY. Is that wise? Ought not this system to cover everybody who is eligible within certain categories regardless of where they live, as to make a uniform system and not have it in one State covering them and in another State not covering them, and so on?

Mr. SMITH. As to coverage, sir, I can speak, of course, for Virginia where we have practically 100-percent coverage. A great many of the other States have close to 100-percent coverage.

I think you can rely on local governing bodies to do the right thing, and as far as the coverage goes, I think you will get pretty much 100 percent.

Senator BARKLEY. Assuming we can rely on governing bodies—when you say governing bodies, I do not know who you take into account——

Mr. SMITH. Your State legislature and other local units.

Senator BARKLEY. State legislature or some commissions started in the State. But regardless of the fact that you might rely on governmental bodies to do the right thing, you do create a situation where, theoretically at least, half of the States would be in and half of them out, or a fourth of them in and three-fourths out, and vice versa.

Mr. SMITH. Sir, the act at the present time, even with the referendum provisions, cannot force any State to enter an agreement——

Senator BARKLEY. I understand that. But the question is, whether we want to extend or broaden that situation, where you have some in and some out.

Mr. SMITH. I would like to say, sir, in further reference to our statement, we merely desire to reiterate the position which we previously took. And as you will note, we state that if it is not possible at this time to remove all of the governmental coverage restrictions then we think that something should be done so that new retirement systems can be established—and, of course, it would mean the protecting of vested rights of those under the old retirement system and setting up a new one as to all new employees. Then those who were members of the old system would have a reasonable period of time to move from the old system to the new system if they so choose.

Senator BARKLEY. The old system and new system. Are you referring to the National Social Security Act or some state——

Mr. SMITH. I am talking about the local retirement system, either State or local.

Senator BARKLEY. Under your idea, those who are employed in the State government and are now covered by some sort of local retirement

pension system would still remain in that, although they may come in under this? They wouldn't surrender their rights under the State because they have assumed an obligation or benefit under the national system?

Mr. SMITH. Well, there are, as pointed out, some financial limitation in the case of many local systems. Where the local system is rather costly, by adding on in addition OASI coverage, the cost is practically prohibitive.

It is usually necessary to make some adjustment in the local system where OASI coverage is provided. It is not always done, but as a usual thing, that is the pattern.

Senator BARKLEY. Now, what kind of financial adjustment. Do you mean they are relieved from paying into the local authorities when they come in under the national system?

Mr. SMITH. Sir, in most cases there is an adjustment in cost, to the individual member and to the State, with respect to the local system. You take into account the cost under social security since usually social security is provided as the base or floor retirement, and the local systems is supplementary and cost is adjusted both to the employee and State.

Senator BARKLEY. The adjustment then is in the local system. You cannot make any adjustment under the national system?

Mr. SMITH. That is right.

Senator BARKLEY. So any adjustment required would have to be made locally?

Mr. SMITH. That is correct, sir.

Senator KERR. Senator Martin.

Senator MARTIN. The referendum under the present law requires a two-thirds majority, doesn't it, rather than a majority?

Mr. SMITH. Senator Martin, the present referendum provision requires that a majority of the membership vote favorably, not two-thirds. The two-thirds was proposed, but the law as enacted requires a majority only of those who are members.

Senator MARTIN. A great number of systems that are maintained by the States are now actuarily sound; isn't that true?

Mr. SMITH. A great number; yes, sir. Most of them.

Senator MARTIN. That was my understanding.

Senator CARLSON. Mr. Chairman, I just want to comment that Mr. Smith has touched on a point that we have had some observations on in Kansas. We have had for years a Kansas State teachers' retirement system, and a few years ago they decided, at least some of them, that they wanted to secure coverage under the OASI. And while the legislature was very much in favor of doing it, it had to be submitted to a referendum, and it was only after considerable campaigning, I think, the teachers approved going under OASI.

But that is one of the problems you have been mentioning here this morning as to that coverage.

Mr. SMITH. Yes, sir.

Senator MARTIN. The initial referendum, is it a majority of all in the system or just a majority of those voting?

Mr. SMITH. A majority of the membership, those in the system, not a majority of those voting.

Senator MARTIN. I see.

Senator BARKLEY. Thank you very much, sir.
Mr. Marshall.

STATEMENT OF A. D. MARSHALL, CHAIRMAN, COMMITTEE ON ECONOMIC SECURITY, CHAMBER OF COMMERCE OF THE UNITED STATES, ACCOMPANIED BY KARL T. SCHLOTTERBECK, ECONOMIST, ECONOMIC RESEARCH DEPARTMENT, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. MARSHALL. Gentlemen, my name is A. D. Marshall. I am a vice president of the General Dynamics Corp., and I am appearing today for the Chamber of Commerce of the United States.

This is a federation of 3,200 organizations, with an underlying membership of 1,700,000. I am also a member of the United States chamber's board of directors and chairman of its committee on economic security.

You have in front of you copies of the testimony which I commend to you. I would like it inserted in the record and that I be permitted to summarize it by the use of these charts which indicate the main points.

Senator BARKLEY. That will be allowed.

(The prepared statement and accompanying charts of Mr. A. D. Marshall follow:)

STATEMENT OF A. D. MARSHALL, CHAIRMAN, COMMITTEE ON ECONOMIC SECURITY OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

My name is A. D. Marshall. I am a vice president of the General Dynamics Corp., and I am appearing today for the Chamber of Commerce of the United States. This is a federation of 3,200 organizations, with an underlying membership of 1,700,000. I am also a member of the United States chamber's board of directors and chairman of its committee on economic security.

We greatly appreciate this opportunity to testify in public hearings on the bill, H. R. 7225. Your committee is to be congratulated on holding the first full and extensive public hearings on this bill. Its provision, if enacted, would have far-reaching effects on the well-being of our economy and on the long-run soundness of social security.

The bill provides for five changes in the existing law, namely:

1. Extension of coverage to several small groups of jobs, aggregating in the neighborhood of 250,000.
2. Reduction of the age from 65 to 62 at which women can get social security benefits.
3. The payment of primary social security benefits to covered workers at age 50 and over who are found to be totally and permanently disabled.
4. Continuation of benefits to dependent or surviving children beyond the age of 18 if they are found to be totally and permanently disabled at that age.
5. An increase in the scheduled taxes provided in the law of one-half percentage point on both employee and employer, and three-quarters of a percent on self-employed. The projected tax schedule would immediately rise from 2 percent to 2½ percent on employees and on employers, and reach 4½ percent on each in 1975. The rates on self-employed would continue to be 50 percent greater than those for employees.

I would like to discuss the more important of these proposals.

EXTENSION OF COVERAGE

The bill provides for extension of coverage to roughly 250,000 jobs. It would cover—

1. Self-employed professionals, including lawyers, dentists, osteopaths, etc., but excluding physicians.
2. Agricultural workers engaged in the production of turpentine and gum naval stores.

3. Certain employees of the Tennessee Valley Authority and the Federal Home Loan Bank.

The United States Chamber of Commerce, as early as 1944, recommended that coverage be extended to all persons who work. We would like to call to your attention the fact that people employed by the National Government under separate retirement programs still have not been covered by the social security program—nor have those under railroad retirement. We understand that a bill passed by the House, H. R. 7089, coordinating military retirement arrangements with social security will be considered by your committee. Without going into the details of the bill at the present time, I would like to say that we favor this proposal in principle.

We also urge similar coordination of the National Government's civil service retirement program with OASI. A bill, S. 3041, embodying this proposal is now under consideration by the Senate Post Office and Civil Service Committee. Such extension of coverage would provide protection for the substantial numbers of workers who leave civil service employment or the military forces and return to private jobs. This shift from uncovered employment to social security involves a considerable period when workers have no survivor protection for their families and dependents in the event of their early death.

The long-run soundness and success of this program will be enhanced if coverage is universal, or virtually so. Mr. Robert J. Myers, Chief Actuary for Social Security, testified to this effect before your committee on January 25.

Congress designated OASI to protect the American society—our free social, political, and economic institutions—by providing a floor of protection to persons who, because of old age, can no longer support themselves by working and to their dependents, and to survivors of deceased workers. All workers should be supporting this program of benefits to those who have suffered income loss arising out of the causes indicated. It seems anomalous for Congress to cover all employees of private industry on a compulsory basis—whether or not the workers had a private retirement plan—and after 20 years of social security, still have failed to extend similar treatment on the same terms to the civil service employees of the Central Government. We find no logical basis for discrimination in OASI requirements on coverage, payment of taxes and benefit eligibility.

AGE REDUCTION FOR WOMEN

The bill proposes to lower from 65 to 62 the age at which women can get social security benefits. This would apply to all women—eligible for benefits on the basis of their own work record, or on any of the other bases. This proposal raises several important questions:

1. Is the purpose of this age reduction consistent with the purpose of old-age benefits?
2. Is there any evidence to support the two major arguments for this change?
3. Will this reduction inevitably lead to further reductions in age requirements in OASI?
4. Would this reduction in age requirement be in line with developments in private retirement plans during the past few years?
5. Would any age reduction promote the long-run well-being of the country?
6. Would age reduction affect other governmental programs?
7. How would age reduction affect costs?

I would like to comment on each of these questions in order.

1. Is the purpose of this age reduction consistent with the purpose of old-age benefits?

In announcing committee consideration of the bill, a press release from the Ways and Means Committee office stated that the "proposal to lower the age for women beneficiaries from 65 to 62 will meet the realistic problems faced by women beneficiaries as well as insured workers upon whose wage record their benefits may be based. The average age differential between a husband and a wife when a husband is aged 65 is 4 years with the wife being the younger. The average age at which [male] workers are presently retiring under the old-age and survivors insurance program is 69. This indicates a definite correlation between the average retirement age of a worker and a husband-wife age differential. Lowering the age for women beneficiaries, and particularly for wives, to age 62 will close this differential and *make it possible*, in many instances, for a worker to retire earlier than workers are now retiring, because the payment of a wife's benefit at age 62 will mean a more adequate level of retirement

income."[1] (Italics supplied.) The purpose of this proposal is clear—to enable men to retire earlier than they are now doing.

Heretofore, there has been general agreement that the purpose of old-age benefits is to provide a "floor of protection" to be avalaible without a means test to workers who, because of old age, are no longer able to support themselves by working. In order to have an objective criterion, Congress established age 65 as the lowest age at which men could retire as being unable to work and support themselves. Experience, however, has shown that a large majority of men do not collect benefits at that age because they are able to continue working for several years beyond 65. The age at which men have claimed primary social security benefits in recent times has averaged between 68 and 69½ years.

Thus, it is seen that the purpose of this proposal is inconsistent with and would change the basic purpose of primary old-age benefits. Instead of urging men to work and support themselves as long as possible, this proposal, if enacted, would encourage men to retire at 65 whether able to work longer or not.

2. Is there any evidence to support the two major arguments for this age reduction?

The first major argument is that lowering to 62 the age at which women can get benefits will, because of the typical age differential between wife and husband, enable many men to retire at 65—or at least earlier than many are now doing. With dependent wives not entitled to their half benefits until reaching age 65, it is contended that many men cannot afford to retire until both can get benefits

A recent study by Mr. Robert J. Myers, Chief Actuary of the Social Security Administration, provides no support for this argument. As a result of this analysis of the most recent experience of Social Security, Myers concluded that only "2 percent of all workers who retired [in 1953] apparently had deferred their retirement until the wife reached age 65. For the remaining 98 percent of the cases, the receipt of benefits by the wife had no effect."[2] In other words, attainment of age 65 by the wife was not a consideration in the decisions to retire for 98 percent of all men claiming primary benefits in 1953.

The second major argument: "In the case of employed women who are eligible for old age and survivors insurance benefits on their own wage records, the present retirement age of 65 creates a hardship in many instances. It is much more difficult for a woman worker in her sixties to secure employment than it is for a younger women."[3]

We have found no evidence to support the second argument. The only available data bearing on this point raise doubts as to whether it has any validity. Certainly the data show that, to the extent this situation may exist it is not a large compelling national problem.

The only pertinent data are those released by the Bureau of the Census on employment and unemployment of the labor force. The figures show, for example, that in 1954 the number of women age 60–64 in the labor force averaged 890,000 and the unemployed 29,000. In 1955, the number of women in this age group in the labor force averaged 983,000 and again unemployment averaged only 29,000. The fact that unemployment averaged not more than 29,000 in each of these 2 years clearly indicates that there is not a large compelling national problem here involved. It should be noted that these figures are for the 5-year age group, 60–64, and not for the smaller group under consideration in the bill of ages 62–64.[4]

If substantial numbers of women in this age group who were laid off had found it difficult to obtain new jobs, it would seem logical to expect a higher unemployment rate than for all women in the labor force. However, we find that the unemployment rate for this age group was 3.3 percent as compared with 5.4 percent for all women in 1954, and 3 percent as compared with 4.4 percent in 1955.

3. Will this reduction inevitably lead to further reductions in age requirements in OASI?

Lowering the age to 62 at which women can get social-security benefits would be but a first step. Possibly the next step is to lower the age to 60. This

[1] See statement to the press by the chairman of the Committee on Ways and Means, June 17, 1955.
[2] See U. S. Department of Health, Education, and Welfare, Social Security Bulletin, December 1955, pp. 25–32.
[3] See statement to the press by the chairman of the Committee on Ways and Means, June 17, 1955.
[4] For underlying data, see U. S. Department of Commerce, Bureau of the Census, Annual Report of the Labor Force, 1954 (series P–50, No. 59); and the Monthly Report on the Labor Force (series P–57, Nos. 151–162).

has been advocated for several years by a few national organizations, such as labor and the American Public Welfare Association.

In considering any age reduction in OASI, attention should be given to the probable impact on old-age assistance. It seems to us impossible that Congress could long maintain one definition of "old age" in OASI and another in old-age assistance. And if assistance is to be given to a woman in need at 60, why not to a man at the same age? Could any age discrimination between the sexes be long continued in old-age assistance?

The chain of events might well be an age reduction for women in OASI followed by the same change in OAA, with equal treatment for men. But could Congress long require that men would not be eligible for primary social-security benefits until reaching 65, while providing eligibility at age 60 for women? Elimination of any age discrimination in old-age and survivors insurance benefits would then seem inevitable.

4. Would this reduction in the age requirement be in line with recent developments in private retirement plans?

When social security was established in 1935, age 65 was selected because it was the most prevalent retirement age in existing private retirement plans. It is true that, at that time, many of them had lower retirement ages for women. However, for one reason or another, private business organizations have been adjusting retirement ages upward, particularly for women. For example, just recently the Mutual Benefit Life Insurance Co., of Newark, N. J., announced that it had raised the mandatory retirement age for all its employees from 65 to 68. The Royster Guano Co., in Virginia, recently raised the mandatory retirement age for women employees from 65 to 67. Four years ago, the Vermont Marble Co. raised its mandatory retirement age for all workers, including men out in the quarries, from 65 to 70.

Towers, Perrin, Forster & Crosby, Inc., a large well-known consulting firm on industrial pensions, listed for us more than 20 large companies that had raised the mandatory retirement age for women employees to 65 within the last few years.[5] The General Electric Co. has also recently raised the retirement age for women from 60 to 65 for all its plants throughout the country.

A recent study by the National Industrial Conference Board gives a picture of the prevalence of 65 as the retirement age for women. This sample survey of 327 companies showed that 83 percent, or 271 companies, had a retirement age of 65 for both men and women.[6]

One of the major factors in this recent widespread raising of the retirement age for women has doubtless been the retirement age provision in social security. Since virtually all private retirement plans have now been geared to OASI, any reduction in the retirement age for women would likely give rise to demands for similar changes in the private plans.

A reduction in the retirement age for women will be especially significant to any company operating in Massachusetts. This is because the State fair employment practices law provides that retirement age is one of the factors in which there must not be discrimination. If a company with a private plan operating in Massachusetts lowers the retirement age for women to 62, it will be engaging in a discriminatory practice unless it lowers it for men also. If companies, such as General Electric, with plants in Massachusetts and elsewhere throughout the country follow the lead of social security and lower the age for women employees, they will have to do the same for men, not only in Massachusetts but for all plants wherever situated.

Since most private plans have been geared to OASI, any reduction in the social-security retirement age will serve to discourage these constructive efforts of private industry toward keeping workers in productive occupations in the later years of life while still in good health and able to work. With our universal desire for ever improving the scale of living for all, should the National Government put a premium on reducing employment opportunities for our most experienced workers? Or shortening the workspan of our citizens?

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[5] These included: American Mutual Liability Insurance Co., Bankers Trust Co., Bristol-Myers Co., Chicago Title & Trust Co., Cincinnati Gas & Electric Co., Eastman Kodak Co., The Hecht Co., Monsanto Chemical Co., National Dairy Products Corp., Pacific Gas & Electric Co., California Packing Corp., Philadelphia Saving Fund Society, Phillips Petroleum Co., The Prudential Insurance Company of America, Vick Chemical Co., The Chase Manhattan Bank, Chesebrough-Pond's, Inc., Standard Oil Co. (Indiana), Standard Oil Co. (Ohio), St. Regis Paper Co.

[6] See National Industrial Conference Board, Retirement of Employees, Studies in Personnel Policy, No. 148, p. 9.

5. Would any age reduction promote the long-run well-being of the country?

Economic security for everyone rests upon production. The more that the existing labor force can produce, the better off will be the entire population. Furthermore, our national security rests upon expanding total production.

A very significant factor bearing on overall economic security and total production is the relation of that portion of our population which is in the productive age groups as compared with that portion in the age groups which by and large are not productive. Between 1950 and 1965 there will be a significant shift in the distribution of the population between the productive and the nonproductive groups. A rough measure of this shift is provided by regarding all those under the age of 20 and those 65 and over as being in the unproductive age groups, and those in the group 20 to 65 as in the productive category of our population. Census data for 1950 show that 42 out of 100 in our total population were in the unproductive age groups. By 1955, the unproductive portion had risen to 45 out of 100. By 1965, 48 out of 100 will be in the unproductive age groups. If the retirement age under social security should be lowered by 1965 to age 60 for both men and women—and this seems to us the inevitable consequence of the proposal now before this committee—52 out of 100 of the population will be in the unproductive category.

Thus, in the short span of 15 years—from 1950 to 1965—the picture will change materially. In 1950 there were about 14 persons producing enough for themselves and for 10 unproductive people. This may be contrasted with what may develop by 1965 with only 9 productive persons producing enough for themselves and 10 unproductive persons—a decrease of one-third in this ratio.[7] We do not believe that any legislation accentuating the adverse trend already underway would promote the long-run well-being of the country.

6. Would age reduction adversely affect other Government programs?

Reduction in the retirement age in social security will probably initiate reactions on other governmental functions and programs, both at the Federal and State levels. A lower retirement age for women will represent a new definition of old age. Whether that new definition is 62 or 60, could Congress maintain one definition in OASI of old age and another in old-age assistance? As we indicated above, it seems likely that the eligibility age in old-age assistance and OASI would have to be identical. The cost to State governments and to the Federal Government would consequently be increased.

Federal and State income-tax laws would also be affected. Under the Federal income-tax law, persons 65 and over are allowed double deductions in determining their income taxes. Presumably this double deduction is a recognition of having reached the age of retirement. Could Congress long contend that people at age 62 or 60 had reached retirement age under social security but could not get double deductions under the income-tax law until age 65? Of the 31 States with individual income taxes, 11[8] would be in the same predicament. Congress and the legislatures in these 11 States would immediately be faced with the problem of raising more tax money, say, through higher tax rates or by finding other tax sources.

7. How would age reduction affect costs?

Lowering the retirement age for women, or for both men and women, involves very substantial cost increases. According to the House Ways and Means report, reducing the retirement age to 62 for women would involve costs (measured by the "level-premium" figures) by 0.56 percent of payroll.[9] Other data from the Social Security Administration show that lowering the age for women to 60 would raise the "level premium" costs by about 1.0 percent of payroll, and lowering the age to 60 for both men and women by 2.25 percent of payroll.

In following the lead of social security, private pension costs for employers would inevitably be substantially higher. The increase in annual contributions for private programs with the retirement age reduced from 65 to 60 would of course vary from company to company, depending on several factors. However, according to actuaries, it would not be unusual to find that their annual costs

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[7] For population data see Statistical Abstract, 1954; and U. S. Department of Commerce, Bureau of the Census, Revised Projections of the Population of the United States, by Age and Sex; 1960 to 1975, series P–25, No. 123 (Oct. 20, 1955).

[8] At the end of the legislative year 1955, the States giving additional deductions for income-tax purposes included: Colorado, Delaware, Georgia, Kansas, Kentucky, Maryland, Minnesota, North Dakota, Oregon, Vermont, and Virginia.

[9] See 84th Cong., 1st sess., H. Rept. No. 1189, Social Security Amendments of 1955, p. 21.

had been raised by at least 50 percent. For the most part, these cost increases would be passed along to the consumers through higher prices.

Old-age assistance would also be more costly in every State, requiring more taxes at both the State and Federal levels. As for the impact of age reduction on Federal and State income taxes, it would involve shifting more of the tax burden on those in the productive age groups.

Conclusion

The National Chamber is opposed to any reduction in the age requirement in social security. The proposal to lower the age from 65 to 62 for women subtly introduces an entirely new purpose for the old-age-benefit program—that is, to enable or even encourage men to retire while they are still able to work and support themselves.

Any change in the Federal definition of "old age" in social security would doubtless have to be followed by similar and costly changes in other governmental programs such as old-age assistance and income-tax laws. Any lowering of the OASI retirement age runs counter to the trend in private retirement plans, and because of the coordination between them and OASI, would strongly influence private companies to retrace their steps of recent years—steps which we believe are basically constructive.

In view of the existing trend toward a progressively adverse relationship between the productive and unproductive segments of the population, this proposal would enhance neither our economic security nor our national security. For the foreseeable future, age reduction is not in the long-run interest of our country. Moreover, age reduction would not only increase social security costs, but also because of its indirect effect on other governmental programs, would also increase costs for old-age assistance and place a heavier tax burden on the productive segment of the population. In our judgment, this proposal is a thoroughly unsound one and not in the interest of all the people of this country.

DISABILITY BENEFITS

This bill would establish an entirely new type of benefit—monthly benefits as a matter of right beginning at age 50 to those who at that age or earlier are found to have a total and permanent disability.

The proposal to pay disability benefits is not a new one. It was carefully considered and—we believe, wisely—rejected by the Senate Finance Committee in 1950. At that time this committee established a new Federal-State grant-in-aid program, aid to the permanently and totally disabled, to provide for disabled persons in need.

From the point of view of the existing social security program of benefits to aged persons, to their dependents and to survivors, the disability proposal in the bill gives rise to several important questions:

1. What is the size of the disability problem?
2. What is now being done for disabled workers?
3. Is a monthly cash benefit the constructive approach?
4. Will disability cash benefits at 50 lead inevitably to other changes in social security?
5. How much would disability benefits cost?

I would like to take up each of these in turn.

1. What is the size of the disability problem?

In 1949 and 1950 the Bureau of the Census conducted two investigations to determine the extent of disability in the United States. These two sample surveys were confined to that part of the population aged 14 to 65, and for the most part excluded those disabled persons in public or private institutions for tuberculosis and mental illnesses.

The results of these two studies do not provide any reliable satisfactory information on the extent of total and permanent disabiliy in this country. This is because the survey involved a statement either by the purportedly disabled person or by another adult in the household to the effect that the individual on the day of the enumeration was "unable to do his regular work or perform other duties because of disease or injury * * *"[10] The lack of any medical or psychiatric examination and determination of disability renders the results of these two studies of little utility. Moreover, the absence of any information with respect

[10] See the Social Security Bulletin, November 1950, p. 8.

to the institutional population, the prior labor force attachment of these persons, and the numbers of labor force age leave a substantial gap in the overall information about the extent of disability. In addition, these two studies throw no light on the character of the disability problem. We do not know how many can be rehabilitated.

While there is no question that a problem of disability does exist, the available information is inadequate to show the size and character. A thorough census-type survey of disability should be completed before permanent legislation, if needed, is adopted. Not only should the extent and character of disability be ascertained, but also many other factors, such as duration, need of the individual, probability of rehabilitation, and age.

2. What is now being done for disabled workers?

Much is now being done for persons suffering various kinds of disability. There are, of course, the public and private institutions for persons suffering mental illnesses and tuberculosis.

The public assistance program, aid to the permanently and totally disabled, is providing for approximately 240,000 disabled persons in need. According to Mr. Wilbur J. Cohen, formerly Director of the Division of Research and Statistics of the Social Security Administration, these programs are operating successfully and efficiently in the District of Columbia, Hawaii, Puerto Rico, the Virgin Islands, and in the 41 States where they have been established.[11]

The Federal-State grant-in-aid program of vocational rehabilitation operates in all 48 States. In the fiscal year 1955 they served roughly 209,000 persons and completed rehabilitation of 58,000. As you know, the services and facilities of this program are available to all disabled persons regardless of need. Resources are taken into account, however, but a disabled person does not have to reach a pauper condition before he can obtain physical and vocational rehabilitation services.

The potentialities of rehabilitation constitute an area which is just now being developed. The 1952 report of the Task Force on the Handicapped[12] states: "* * * We are now in a position to do more to overcome the handicapping effects of disability than at any time in our history. We are now on the threshold of a period in which well-wishing can be translated into dynamic and constructive work for vast numbers of impaired people—if we choose to do it * * *.

"During the past 10 years, there have been developments in the several fields relating to disability which have radically broadened the extent to which handicapped persons may be restored to activity and gainful employment * * * they have already made it possible for thousands of disabled men and women who, 10 years ago, would have been considered hopelessly impaired, to resume active lives and to enter the labor force as self-supporting citizens."

3. Is a monthly cash benefit the constructive approach?

Experience shows that disabled persons with an assured monthly income remain disabled for a much longer period than others without monthly benefits. In the hearings before this committee in 1950, Mr. John H. Miller, vice president and actuary of the Monarch Life Insurance Co. and one of the outstanding experts in this field, testified that this had been the experience of private insurance companies. Referring to experience of the Prudential Life Insurance Co. for the years 1946 through 1948 with 3 types of policies, he observed that a much higher percentage of beneficiaries under policies paying monthly benefits remained disabled for a long time as compared with those under policies merely waiving premiums or waiving premiums for a year and paying the full insurance amount in quarterly benefits over a 10-year period. Mr. Miller concluded: "* * * payments under the waiver and installment benefits represent actual disability while the experience under the income benefit includes payments to those individuals who but for the incentive of a disability income might have become reestablished as productive members of society.

"I do not mean to state or imply that the difference is accounted for by deliberate malingerers who have deluded the insurance company. Rather, I believe they have deluded themselves. No doubt many have deluded their physicians as well. There is little argument today over the proposition that the mental attitude and emotions of an individual have a profound effect on his

[11] See U. S. Department of Health, Education, and Welfare, Social Security Administration, Division of Research and Statistics, note No. 6, Jan. 13, 1956.

[12] See Office of Defense Mobilization, Manpower Policy Committee, Report of the Task Force on the Handicapped (1952), p. 14.

physical well-being. These apparent malingerers are, for the most part, really disabled according to any practical criterion of disability, but would not have been if there had been no disability income to rely upon." [13]
In his testimony before this committee on February 14, 1956, Mr. Miller presented additional evidence illustrating this point.

In view of the broadening horizon for successful rehabilitation and the deterent effect on successful rehabilitation arising out of a monthly cash benefit as a matter of right, a disability benefit is neither a humanitarian approach from the point of view of the individual nor a constructive approach.

4. Will disability cash benefits at 50 lead inevitably to other changes in Social Security?

The basic issue here is twofold. The first is whether or not to pay disability benefits without regard for age. If this bill were passed and benefits paid to a person at 50, how could Congress long deny benefits to one disabled at 49? Or to a younger worker in his early thirties with 2 or 3 dependents? And how about benefits to the dependents of disabled beneficiaries?

The second issue is whether initiation of disability benefits will irresistibly lead to a compulsory national health plan. This bill provides that a finding of total and permanent disability be made by the State vocational rehabilitation agency or some other approved State agency. Presumably, any costs of rehabilitation would be financed by these Federal-State grant-in-aid programs.

Is it not likely that States will soon learn that part of their aid to dependent children load, for example, can be shifted to the Federal-tax suported social-security program by finding the disabled breadwinners involved to be "totally and permanently disabled"? As a result of such unanticipated rises in social-security costs, the only answer may prove to be that the Federal Government or the Social Security Administration must not only make the findings of disability but also administer rehabilitation and pay the costs out of the OASI trust fund. If the medical, surgical, and psychiatric costs of rehabilitation for some people covered by social security are to be financed by the trust fund, it will naturally be asked, Why should not the same treatment be extended to all covered by OASI?

It seems to us inevitable that the initiation of disability benefits to those at age 50 will soon lead to the age limitation being removed, to dependents' benefits and, before long, to the establishment of a compulsory national health program. While the irresistible pressures for a national health program might take some years, we feel certain that the elimination of an age requirement for disability benefits and the payment of benefits to their dependents would come much sooner—say, something like 2, 4, or 6 years.

5. How much would disability benefits cost?

The cost of disability benefits at 50 is estimated on a "level premium" basis at 0.26 to 0.54 percent of payroll, with an intermediate estimate of 0.39 percent.[14] If the experience of OASI with disability benefits is similar to that of the railroad-retirement system, the high-cost estimate would be none too high. The elimination of the age restriction and the payment of benefits to dependents would push up costs to about 1.1 percent of payroll, according to the high estimate.

It should be noted that these estimates are based on an assumption of high-level employment. The Ways and Means Committee report on Social Security Amendments in 1955 contains no cost projections for disability on the basis of a low-employment assumption. This is because there is no accurate or reliable method for estimating the incidence and termination rates for disability when job opportunities are shrinking. In time of recession, experience has always shown a tremendous rise in disability claims and benefits. Part of this is really unemployment compensation placed on a more or less permanent basis.

The conjectural nature of the disability cost estimates is indicated in the Ways and Means Committee report. It states: " * * * These cost estimates for the monthly disability benefits provided in the bill are as good an indication of such costs as are now possible. Nonetheless, we recognize that in a new field such as this, more valid estimates are possible only after operating experience has

[13] See hearings, Senate Finance Committee, 81st Cong., 2d sess., Social Security Revisions, pt. 3, pp. 1454–1455.
[14] See 84th Cong., 1st sess., Social Security Amendments of 1955, H. Rept. 1189, p. 20; also testimony of Mr. Robert J. Meyers, Chief Actuary, Social Security Administration, Senate Finance Committee on H. R. 7225, January 25, 1956.

developed from the provisions being in effect for several years. As indicated above, disability incidence and termination rates can vary widely—much more so than mortality rates, which are basic insofar as retirement and survivor benefit costs are concerned." [15]

Conclusion

The Chamber of Commerce of the United States is opposed to a national program paying disability benefits as a matter of right. No reliable information is now available to show the scope and character of the disability problem and the direction which legislation should take if any is needed. No positive case has been made that the problem requires the National Government to take care of it in this manner. It should be noted that there are assistance programs in 41 of the States (and the District of Columbia and island possessions) to deal with totally and permanently disabled persons in need and that these programs are operating successfully and efficiently. Vocational rehabilitation is operating in all States and is now undergoing a planned expansion so that by 1959 they will have the facilities to rehabilitate 200,000 persons a year.

Experience abundantly demonstrates that an assured monthly income prolongs disability and acts as a positive deterrent to successful rehabilitation. Monthly cash benefits as a matter of right under these circumstances is neither humanitarian nor constructive.

Disability benefits without regard for age is the basic issue here involved and should be faced squarely at this time. Such benefits involve very substantial costs.

INCREASE IN TAXES

At the present time, the law calls for a 2-percent tax on both employee and employer and 3 percent on self-employed on the first $4,200 of earnings. These rates will be stepped up every 5 years from 1960 through 1975, when the rates will be 4 percent on both employee and employer and 6 percent on self-employed. This bill provides for a one-half percent increase on top of the scheduled tax rise for employees and employers, and three-quarters of a percent on top of the taxes for self-employed. In other words, there would be an immediate 25 percent increase in social-security taxes on all workers and employers.

Congress has been giving a great deal of thought to how some reduction in taxes can be given to as many persons as possible. In consequence, we could not support this proposal to increase taxes which in many cases would more than offset any savings that would be passed along to persons through tax reduction. Farmers, for example, have been experiencing a decline in income and, on April 15, will be paying their first social-security taxes of 3 percent. This bill proposes to add another 25 percent on top of that social-security tax for the next year.

Conclusion

The national chamber opposes any increase in social-security taxes at this time.

LONG-RUN IMPLICATIONS OF H. R. 7225

This bill is of crucial importance to the long-run financial soundness of our present benefit program for the aged, their dependents, and survivors of deceased workers. If enacted, it would involve a new practice of dubious merit—the intermingling of tax money raised to deal with two entirely different types of problems. It would commingle funds raised for disability benefits with those of another program providing benefits for loss of income because of old age or premature death. Taxes for OASI alone will amount to 8 percent in 1975. A national health program including disability benefits would also be very expensive after 20 years' growth. Taxes raised for one purpose should not be so intermingled with those raised for purposes of disability and health as to make it almost impossible for the taxpayer to ascertain easily the true costs of each program. Those who advocate disability and health benefits should be willing to have that program stand on its own feet and not jeopardize the soundness of the existing OASI program.

If enacted, this bill would initiate chain reactions. Both the proposal to lower from 65 to 62 the age at which women can get benefits, and the proposal to pay disability benefits at 50 will in practice be but first steps. It appears inevitable that within a few years Congress will find itself compelled to lower

[15] See Social Security Amendments of 1955, H Rept. 1189, 84th Cong., 1st sess., p. 14.

the age for both men and women to 60 at which they can get social-security benefits, and to eliminate the age requirement in the disability proposal. Benefits to dependents of disabled beneficiaries also appear likely, if the bill passes.

The costs with which we will surely be faced are much greater than indicated by the mere 1 percent tax increase provided in H. R. 7225. The "ultimate benefit costs" expressed as a percent of payroll provide a more conservative measure of potential costs. Using the more conservative, high-cost estimate with the assumption of high-level employment, the cost for retirement age at 60 and disability benefits at all ages, with benefits to dependents, may well amount to as much as 15 percent of payroll. Obviously, the maximum 9 percent on employee and employer combined, and 6¾ percent on self-employed provided for in this bill, will be quite inadequate to meet such costs as indicated.

Potential costs of as much as 15 percent of payroll have a direct bearing on the long-run financial soundness of our existing program. Fundamentally, this system is so constructed that its soundness depends upon the willingness of workers and employers to continue paying the taxes called for—in order to pay benefits concurrently. In the hearings of 1950 before this committee, Senator Taft said: "It seems to me that what I paid in has been used. It was used to pay other benefits years ago, and I am being paid, if I am 65 or 70, out of current payments made by other workers." To which Mr. A. J. Altmeyer, then Commissioner, Social Security Administration, replied: "I would agree with you on that." [16] In other words, the payment of benefits to today's aged, dependents, and survivors is chiefly dependent on the continued payment of social-security taxes by today's workers and employers. The same will be true 20 and 40 years hence.

The indispensability of continued financial support by workers and employers is not generally understood. The situation at the close of 1954 will illustrate the forward reach of costs for benefits to present recipients and to all present workers with any coverage. According to the Chief Actuary of the Social Security Administration, Mr. Robert J. Myers, future benefits to all on the social-security rolls at the end of 1954, plus benefits to all workers with any coverage at that date to their dependents and survivors, would aggregate an estimated $443 billion.[17] The taxes paid in the future by such covered workers and by their employers are estimated to total $198 billion. This leaves a deficit of $245 billion. Considering the $21 billion then in the trust fund, there would still remain $224 billion of benefits which could be paid only out of taxes on all new workers and on their employers. Incidentally, this tax "claim" on new workers and employers of $224 billion is almost 3 times the total interest that has been paid on the Federal debt from 1799 through 1954.

At the present time OASI is an immature system. Today 9 out of 10 workers and employers are paying social-security taxes, but no more than 5 out of 10 aged are drawing benefits. Since it will be more than two decades before roughly 9 out of 10 aged will be eligible for benefits, the present law has a graduated rise in the social-security taxes. Two decades from now the tax rates on covered workers and employers will have doubled. We may now believe that workers and employers in 1975 will be willing to pay 4 percent each on covered pay provided for in the present law, but we do not know that—nor can we now know that they will be willing to pay additionally a half or even two-thirds more for the benefit costs that these two proposals, if enacted, would involve.

Some representatives of organized labor have testified that the workers are "willing to pay their fair share" [18]—an additional half percent provided in H. R. 7225. However, we simply do not know whether the workers two decades from now will be willing to see a sixth—or even an eighth—of the fruits of their labor exacted by the Federal Government to pay social-security benefits.

The key to this situation is the existing immaturity of social security. This slow, prolonged maturing of the system has long concerned the United States chamber. You will recall that 2 years ago the United States chamber recommended the program be immediately matured by extending tax coverage and benefit eligibility across the board.

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[16] See hearings, Senate Committee on Finance, 81st Cong., 2d sess., Social Security Revisions, pt. 1, p. 75.

[17] For this analysis, the dollar figures have all been expressed with the "common denominator" of "present values." For data, see U. S. Department of Health, Education, and Welfare, Long-Range Cost Estimates for Old-Age and Survivors' Insurance, 1954 (actuarial study No. 39) by Robert J. Myers and Eugene A. Rasor, pp. 19 and 43.

[18] See testimony of Mr. Nelson H. Cruikshank, director, American Federation of Labor and Congress of Industrial Organizations, in hearings before Senate Finance Committee, February 15, 1956.

A sound principle has always been to finish one job before starting another. The job of providing a "floor of protection" income for the aged is less than half finished—that is, only about 5 out of 10 aged can get benefits. Before considering any innovations or other substantial changes in OASI, we urge Congress to mature the program as much and as rapidly as possible.

It should be borne in mind that one of the major features of social security, as contrasted with public assistance, is that OASI benefits are paid without a "means test." The "means test" is simply a device for keeping a check on total expenditures. In leaving this type of expenditure control out of the OASI program, Congress has wisely decided that it must be self-sustaining over the long run. That is, benefits and administrative costs in the decades to come must be no greater than can be financed from the dedicated social-security taxes and the interest credited to the trust fund. This, incidentally, is the "contributory principle." Thus, it is imperative that, while it is still in an immature stage of development, social security must not be so loaded up with substantially greater benefits or new types of benefits that the long-run costs ultimately entail taxes larger than workers and employers in the decades to come are willing to pay.

In 1950, when this committee was considering another bill to increase social-security benefits, Senator Taft expressed concern about the implications of the cost magnitudes involved. He observed:

"It seems to me we are getting to a point where there is just so much free cash going to so many millions of people that you are getting into a very dangerous overall situation. I think we ought to approach with a great deal of care anything which involves such a tremendous increase in Federal expenditures. * * * Alone it presents, it seems to me, quite aserious question mark when we approach anything that increases it."

Mr. Altmeyer, then Commissioner for Social Security, replied:

"That is why I feel that our basic system should be a contributory system, a contributory system where the costs of the benefits are brought out into the open and where the means of financing those benefits are stated and must be considered in connection with the benefits. I do not think that any other system except a contributory system can bring about the necessary relationship between the benefits and the cost of the benefits and how those costs are to be met.

"I agree with you thoroughly that when so many persons are affected and so much money is being paid out, it is highly necessary to be sure that you are developing a system that does not become the master instead of the servant of the people." [19]

Adopting the two major proposals in this bill, we believe, will jeopardize this system of benefits as a matter of right—not now, but some years hence. The crucial issue potentially embodied in this bill is whether social security shall remain a servant for our aged, their dependents and survivors—or whether, perhaps, at some time not too far distant we shall suddenly discover that it has become the master.

RECOMMENDATIONS

Production is the safeguard of our American way of life. Therefore, the national chamber recommends that—

1. No legislation be passed which would encourage a shortening of the productive life of either men or women.
2. The necessary facts as to the extent and character of disability should first be developed and thoroughly examined before any permanent legislation is passed.
3. Until full and satisfactory information is available, vocational rehabilitation should be made the heart of any program dealing with disabled workers, taking care of those who cannot be rehabilitated, and are in need, through public assistance.

CHART 1.—PROVISIONS OF H. R. 7225

1. Extension of coverage.
2. Age reduction for women.
3. Disability benefits.
   (*a*) Children after 18.
   (*b*) Workers at 50 or over.

[19] See hearings, Senate Finance Committee, 81st Cong., 2d sess., Social Security Revisions, pt. 1, pp. 72–73.

4. Tax increase.
(a) To 5 percent immediately.
(b) To 9 percent in 1975.

CHART 2.—AGE REDUCTION FOR WOMEN

1. Consistent with purposes of old-age benefits?
2. What evidence—
(a) Husbands don't retire until wife reaches 65?
(b) Job problems for women in early sixties?
3. What may this lead to?
4. Consistent with trend in private plans?
5. Promote well-being of country?
6. Affect other Government programs?
7. Effect on costs?

CHART 3.—DISABILITY BENEFITS

1. Size of disability problem?
2. What's now being done for disabled?
3. Disability benefits a constructive approach?
4. What will disability benefits lead to?
5. Effect on costs?

CHART 4.—LONG-RUN IMPLICATIONS

1. Intermingling of funds may jeopardize OASI soundness.
2. Costly chain reactions of H. R. 7225 threaten OASI.
3. Soundness of OASI requires adequate tax support.
4. Projected tax costs are misleadingly small.
5. Benefits without a "means test" require OASI be self-sustaining.

Mr. MARSHALL. I would commend to you this testimony presenting many facts here which I hope will be valuable to you gentlemen in consideration of this bill. The facts were developed by research by the chamber staff under the very able direction of Mr. Schlotterbeck, who is here with me today.

As you know, and as is indicated on the first chart, the bill has four main provisions. First, it provides for extension of coverage. The second main provision is the reduction for women in the age at which they can collect benefits. The third main provision is the provision with respect to disability benefits for surviving children after 18 and for workers after age 50. The fourth provision, of course, is the tax increase which is made necessary by the provisions of the bill.

With respect to the first one, extension of coverage, that covers approximately 250,000 new jobs. It covers self-employed professionals, lawyers, dentists, osteopaths and so forth, but still excludes physicians.

The second main extension of coverage is with respect to agricultural workers who are engaged in certain production jobs, turpentine and gum naval stores. I am not quite sure why those were left out originally.

Third, it covers certain employees of the Tennessee Valley Authority and the Federal home loan bank.

In general, the chamber of commerce of the United States is in favor of extension of coverage. The chamber has expressed itself in many hearings as being in favor of universal coverage under this program. The chamber, like the preceding witness, is in favor of covering all employees, governmental as well as the private employees, under this universal system.

We understand that there is a bill now passed by the House which would coordinate the military retirement arrangements with social

security, and there is also a bill which is before the Senate which would provide for a similar coordination of the National Government's civil-service retirement program with OASI.

There I would just like to pause a moment and emphasize our use of this word "coordination." In my mind it should be no more difficult to coordinate these governmental programs—the military and civil-service retirement—and also railroad retirement with this OASI program than it was for those private businesses, which had pension plans long before the social-security bill was enacted, to coordinate their private pension systems with Social Security.

And there is a measure of justice in coordination for the individual himself, because he can then move from one job to another without losing coverage, or periods of coverage, out of his working life under the OASI program.

Today, of course, if a man under Government civil service spends half of his working life there and then moves into private employment where he is covered under OASI, he has lost half of his working life coverage under OASI. So our feeling is there should be substantially universal coverage, including coordination or integration of these governmental programs with the OASI program just as private industry has done.

It does seem anomalous for Congress to require that private industry cover all of its employees under OASI and still find that similar treatment is not extended to the employees under civil service.

The next main section of the bill which is shown on the next chart is the age reduction for women. This section of the bill proposes to lower from age 65 to 62 the age at which women can get social-security benefits. And here, gentlemen, we have examined these seven questions in connection with this proposal, the answers to which I hope may be helpful to you gentlemen.

The first question is, Is the age reduction consistent with the avowed purpose of old-age benefits?

The second, I think we should examine the evidence to support the two main arguments in favor of this: That husbands do not retire until the wife reaches 65; and, that there are substantial job problems for women in the early sixties.

Third, what may this age reduction lead to?

Fourth, is this age reduction consistent with the trend in private pension plans?

Fifth, will it promote the well-being of our country?

Sixth, how will it affect other Government programs?

Seventh, what will its effect on costs of the program be?

I do not need to go into these things too much in detail, but I just want to mention under this first one the avowed purpose of this program is to provide a floor of protection for people who because of old age were no longer able to support themselves by working, Now, it does seem to me, therefore, a little strange to introduce into this system a new provision, the avowed purpose of which is to give a financial incentive for men to retire earlier than they now are doing even though they can continue to work.

We believe that instead of urging men to work and to support themselves as long as possible, this proposal would encourage men to retire at 65 when they are still well and able to work.

Senator BARKLEY. You mean by that that if the age of the woman is reduced to 62, they are going to retire them at 62, that it will be an inducement for the husband to quit? Why, on the wife's retirement pay? Is that what you mean?

Mr. MARSHALL. That is right, Senator. The first argument here, that husbands do not retire until the wife reaches 65, is exactly the argument that you have stated, of the proponents of this measure. They say that many men continue to work after age 65 because their wives are several years younger than they are and, therefore, their wife is not eligible for social-security benefits. So that the husband is not able to support himself under the $108.50 primary benefits. But as soon as his wife becomes eligible for half of that, or for as much as $54 he thinks the couple can live on the combined benefits, so he then quits work. That is the first argument of the proponents as given here.

Senator WILLIAMS. Are there any members of your organization forcing retirement at 65 on the part of men now?

Mr. MARSHALL. No. I have some statements on this in this testimony, Senator, which indicates that the whole trend is in the opposite direction. We have a list here of some 20 large firms which have increased the retirement age or raised the retirement age for either men or women or both in the last few years.

Senator WILLIAMS. Do you have a list of companies who might have lowered their retirement age within the last years for a comparable period?

Mr. MARSHALL. I do not think our study has shown there have been any that have lowered.

Senator WILLIAMS. Perhaps not, but I was wondering, if there has been, could you include that information in as well?

Mr. MARSHALL. We will be glad to if we can find it.

(Mr. Marshall subsequently submitted the following:)

Two of the largest pension consultants, Wyatt Co. of Washington, D. C., and Towers, Perrin, Forster & Crosby, Inc., of Philadelphia, have informed us that not a single one of their many clients had lowered the retirement age for either men or women within the last 5 to 10 years.

Senator MARTIN. Give us a list of some of the larger companies. I know insurance companies, for example, that some of them in the last year have increased forced retirement from 65 to 68. But take United States Steel, for example, they require the chairman of the board to retire at 65 and, of course, they are an enormous employer.

Mr. MARSHALL. That is right.

Senator MARTIN. But, if you could give us a list of some of the larger employers that have increased the age—I know some of the insurance companies have. But I had not noticed any of the industrial concerns that have increased. If you could give us some industrial concerns?

Mr. MARSHALL. I will do that, Senator. As a matter of fact, in our testimony, in answer to point 4, you will find a list of industrial companies attached to that, sir.

Senator MARTIN. Thank you.

Mr. MARSHALL. Coming back to your point, Senator Barkley, with respect to this argument about men staying on after 65 in order to wait until their wives become eligible for benefits, Robert J. Myers,

who is Chief Actuary of the Social Security Administration, made a study of this, and found that on the actual case histories in 1953, the evidence showed that only about 2 percent of the men kept on working until their wives reached 65, and that 98 percent of the men who stayed on had other motives than waiting until their wives became eligible for benefits.

Now I would like to move on here to the second major argument that is advanced in favor of this provision—that women in their early sixties have job problems. Here I would like to refer you to the bottom of page 6 and the top of page 7 of my testimony.

We have some pertinent data on this point, data published by the Bureau of the Census on employment and unemployment of the labor force. Now I would like to point out to you these figures. And bear in mind these figures are for the age group of women between 60 and 64.

In 1954 the number of women in that age group in the labor force averaged 890,000. The unemployed women, those receiving unemployment compensation benefits, and here you must bear in mind that under the laws of some States—only a very short period of employment in New York State, I think it is 20 weeks, entitles a person to receive benefit for 26 weeks, so that in this unemployed group you may find many seasonal workers—there are only 29,000 women in that age group who were unemployed; 890,000 in the labor force, 29,000 unemployed.

In 1955 the Bureau's figures indicate that there were 983,000 women in that age group in the labor force and, again, those unemployed were only 29,000. So that here we do not find any evidence at all of the difficulty of women in that age group to find jobs.

The employment increased substantially in 1955, and the unemployed remained the same.

Senator KERR. Now, the unemployed figure of 29,000 represents only those who were at that time drawing unemployed benefits?

Mr. MARSHALL. That is right, Senator.

Senator KERR. There might have been other unemployed that were not disclosed?

Does this include everyone, whether they are enjoying benefits or not?

Mr. SCHLOTTERBECK. Yes, sir.

Senator KERR. Well, a little while ago you made a statement to the contrary.

Mr. MARSHALL. Yes, I made a statement to the contrary. I was in error, Senator.

I would point out, though, that even if it did include only those who were drawing benefits, there are many who draw benefits regularly in that age group, year after year, in the States which have very short qualifying periods for unemployment insurance.

Also we find that the unemployment rate for this age group—60 to 64, and not 62 to 64, as the bill calls for—was 3.3 percent as compared with 5.4 percent for all women in 1954.

And in 1955, the figure for this age group was 3 percent, and for all women it was 4.4 percent. So it seems to me that there is little merit in the two major arguments that are advanced in favor of this proposal.

Also, I think we can pass over rather rapidly our point 3, What may this lead to? It does not seem to me that there is any more merit in making a woman eligible for benefits at 62 than there is at 61, and why should a woman be eligible for benefits at 62 when a man has to wait until 65? I think the answer to point 3, will this reduction inevitably lead to further reductions, is rather obvious.

Senator KERR. Well, now, you know that at the present time people beyond 50 years of age, divided into classes of men and women, that we find that women live longer.

Mr. MARSHALL. That is right, Senator.

Senator KERR. Do you think that if you fixed their retirement age at 62 instead of 65 and kept the men's retirement age at 65, that that might increase the differential, or do you think that might give men a better break on living as long as the women?

Mr. MARSHALL. Senator, it is a pretty good question. You know, I am not sure of this, but it seems to me there are insurance statistics which indicate that annuitants live longer than people who are not on annuity, perhaps because of peace of mind and so forth, so maybe the women would live much longer.

Senator KERR. I am not justified in inferring, then, that your next step in this argument is that they ought to retire men at the age of 62 and women not until they are 65?

Mr. MARSHALL. No; that is right.

Senator KERR. All right.

Senator BARKLEY. You may find that the thing that makes men live shorter lives after 65 are things they do before they were 65. [Laughter.]

Mr. MARSHALL. There may be considerable merit to that.

The next point here is, Would this reduction in the age requirement be in line with recent developments in private pension plans? This comes to the point that Senator Martin asked me about a little while ago. You will find on the bottom of page 9 a footnote which lists some of the major companies which have increased the retirement age in the last few years. For example, General Electric Co. is one of the major industrial concerns with some 250,000 workers, and they have just raised their retirement age for women from 60 to 65. And according to National Industrial Conference Board, a sample survey of 327 companies shows that 83 percent had a retirement age of 65 for both men and women.

Now, as an example of the trouble that you get into when your start having differentials is this discrimination feature that is in the law in Massachusetts. There is a law in Massachusetts that prevents discrimination on account of age with respect to hiring policies and firing policies. That has been interpreted to mean that those industrial companies who heretofore had a differential in the retirement for women and men in that State were forced to keep their women on, to give up the differential and keep women on until they were the same age as men, if the women wanted to continue to work. It would seem to me that introducing a differential here in this Social Security Act would again lead to trouble with those discrimination statutes in Massachusetts, for example, if private pension plans attempted to follow that sort of a trend.

I do not think I need to emphasize the next point, whether age reduction promotes the long-run well-being of the country.

It seems to us that production is the real thing on which our national security, our increase in standards of living, and so forth, is based. And it seems to us that any measures that we take here to reduce the work force, to increase the number of nonproductive workers, is not in keeping with the principle that we ought to have more production in order to give us more goods for more people.

So I would urge that we do not take any step like this which will cut down the productive group in the population at the time when the nonproductive group in the population is automatically increasing, both at the lower end of the scale—the numbers under age 20 showing very substantial increases because of the increase in birthrate which started in the late thirties—and also because of the longevity, the successes that the medical profession has had in lengthening the lives of all of us.

Senator KERR. You would not want to give exclusive credit for that to the medical profession?

Mr. MARSHALL. No; I think perhaps they have taught us how to live more wisely when we are younger.

Senator KERR. I mean, I think it is wonderful if you give them due recognition, but you might get us into a very serious predicament if you think, even by inference, that they were exclusively entitled to that credit.

Mr. MARSHALL. I think that is right, sir.

Senator KERR. I do not think either of us ought to be in that position.

Mr. MARSHALL. I will pass on from that one, gentlemen, with your permission, to the effect of this age reduction on other governmental programs.

It seems to me that once we have a new definition of "old age," whether it be 60, as some labor organizations and others advocate, or 62 as proposed in this bill, it constitutes a new definition of "old age." I think——

Senator BARKLEY. I do not like the way you look at me when you say "old age." [Laughter.]

Mr. MARSHALL. As a matter of fact, you know, Senator, they are getting so close to me now that I am sort of in favor of some of these.

However, I do not quite see how we are going to be able to maintain an age 65 in our old-age assistance programs, or in our Federal and State income tax laws.

Senator BARKLEY. Let me ask you a question there. I agree with you that we have to take into consideration the fact that the average age of the human being has been increased in the last century, almost 25 years on the average, so that the average now in this country is 69 and a fraction age——

Mr. MARSHALL. Yes.

Senator BARKLEY. That we can look forward to that age at certain times irregardless.

Now, in order to arrive at an average, you have to take into consideration those above it and those below it, and it may be that there are many thousands of individuals, women, we will take, as that is what we are talking about, who have not been able to profit by this average increase in longevity, so that they might be done an injustice if we look purely at the increase, the expansion of the average life, because they have not been able to benefit or profit by it. Do you think we

ought to consider them in determining whether we should lower the age to 62, those who are way below the average in this expansion program of human life.

Mr. MARSHALL. Of course, Senator, there is a quick answer to that, but I do not think I ought to give it, and that is that those who aren't going to live long enough to profit by this are not going to live long enough to profit by the reduction in age limit.

Actually, what happens, you see, at birth a man now, I think, has a life expectancy of 69. But at age 65 he has a life expectancy of roughly 80——

Senator BARKLEY. That is right.

Mr. MARSHALL (continuing). Which means that actually many men and many women have died before arriving at either the magic age of 65 or 62 or whatever you have.

The life expectancy of people over 60 and over 65 has been lengthened during the last few years, but not in proportion to the life expectancy of a child at birth.

Senator BARKLEY. Theoretically there seems to be an inconsistency between the admitted fact that we have expanded the span of life in the last half century, quarter of a century, and we are bound to assume that those whose lives are extended are healthier during those later years than they would have been if there had not been any expansion or extension.

And we have to admit that, I think. There seems to be an inconsistency between that and the effort to reduce the age limit here for benefit under the law. Yet I can realize, as I was intimating a moment ago, that there are probably those who might be done an injustice by that process, who had not in their personal lives benefited by this great scientific and medical boom that has come to the human race.

Mr. MARSHALL. I think you are quite right, Senator, and I think what we have got to do in a measure like that is to look forward to what its effect is going to be on the coming generations here. I think you are going to find fewer and fewer of the next generation who won't be able to profit by this. I think it is a mistake for us to sit here and look at my generation and say that we ought to lower the retirement age because I will need a few more years to profit by this extra bonus that I am going to get here from social security. I think we have got to take a look at the coming generation of young people who, I am sure, that because of the elimination of so many diseases of childhood, the better nutrition habits, the feeding of vitamins and so forth, are going to live an awfully lot longer than my generation is going to live.

I think it is a mistake in the face of almost admitted facts like that to start lowering the retirement age for the benefit of a few of us now.

Actually, you do not retrace steps like that. I would not feel so badly about it if I had any hope that, once having lowered the retirement age to 62, and we had a generation coming along here that we saw was going to live to 90, we could then raise the retirement age. I think that is a very difficult process. You gentlemen will probably know more about that than I would, but I would suspect that the pressures to keep it down would be tremendous.

I have mentioned in passing that the Federal and State income tax laws are also going to be affected if we lower the retirement age,

because persons over 65 are now allowed doubled deductions. There then wouldn't be any particular reason why it should not be 62 at which time people get double reductions from their income-tax payments.

We now have the last question here——

Senator CARLSON. Mr. Marshall, before you leave the age section on this, during some previous testimony I asked one of the witnesses if he thought it would have any effect on the old-age-assistance programs in this Nation, which are contributed to not only by the Federal Government but State and local communities, if we reduced the age under old OASI for women, as to whether we would be expected to do the same for the old-age-assistance program and if so what would the cost be and how many would be included.

I have just received a copy of a letter to our chairman, Senator Byrd, and I am going to just read one paragraph here:

> Should such a change be made in the old-age-assistance program, it is estimated that the number of women 62–64 years of age that might be added to the old-age-assistance roles would shortly reach about 134,000 and that the additional total cost would be about $85 million a year. Of this, the Federal share would be approximately $47 million.

It is signed by the Commissioner from the Department of Health, Education, and Welfare.

I understand this letter has already been made a part of the record. (See p. 259.)

Mr. MARSHALL. That is, of course, a very important thing. The lowering of retirement age for women inevitably leads to lowering the retirement age, not only for women in old-age assistance, but probably also for men and everyone else. And that is a substantial increase in cost.

For example, I think the figures are in here somewhere that under private pension plans the lowering of the retirement age, generally from 65 to 60, results in an almost 50-percent increase in costs on the average. It depends, of course, on the average age and composition of the group. But in any large company that is almost inevitably true.

A 5-year lowering of the retirement age results in a 50-percent increase in cost.

So that when we look at these level premium figures here, given by the Social Security Administration, of a half a percent or 1 percent of payroll as an additional cost for lowering the retirement age, we have to look at that at the cost of the particular provision in this bill, not the long-range cost of the other things that that might lead to. And also we have to take a little look at this term-level premium.

I think you gentlemen probably know better than I do that there isn't really any such thing as a level premium cost in this social-security program.

Level premium envisages a premium fixed at such a rate that you accumulate reserves when very few people are being retired and the interest on those reserves plus the current contributions later on go to meet the rising costs of the program.

As we all know, there have been no such reserves accumulated under the social-security program. If there had been, we would have had some 250 billion in the trust fund and not 21 billion as we have now.

So that when we look at these level-premium costs as given here,

we must not forget the loss of interest on this trust fund which is not there, in order to get the cost which is going to be there 10, 15, or 20 years from now.

With that word of caution, I will pass on, with your permission, gentlemen, to the next section on disability benefits. And here, just as in the case of the reduction in age, we have examined some questions with respect to the disability benefits, the answer to which we thought might be of interest to you gentlemen.

The first is, What is the size of the disability problem? The second, which is a corollary, What is now being done for the disabled? The third question is, Are disability benefits a constructive approach to the problem of the disabled?

The fourth is, What will disability benefits lead to? The fifth, as in the case of the other chart, What is the effect of a provision for disability benefits on the costs of the program?

Now, unfortunately, we are unable to come up with any particular information that we thought was valuable on the disability problem. There are reasons for that. The only information that we could get that amounted to very much were two sample surveys by the Bureau of Census in 1949 and 1950. They were confined to that part of the population age 14 to 65 and excluded, for example, what is a major disability problem, those people confined in public and private institutions for tuberculosis and mental illness.

So that actually, we find a tremendous gap in the data which should be, we think, available to you gentlemen before you take a step like passing a disability provision of this nature.

I think that there are many things that you ought to take into consideration here.

One of them is that many disabling diseases—mental illness and tuberculosis are two pretty good examples—involve people who are pretty largely taken care of at the State and local level now in mental institutions and tuberculosis sanitariums.

The second thing I think there should be full information on is the extent to which our attack on one after another of these disabling diseases is going to eliminate them so that by and large we do not have too much disabling disease until you begin to get as old as I am. Then it is a question of whether the disease or old age came first.

But I need only to cite to you gentlemen the case of tuberculosis. I know in my home State of New York that one tuberculosis sanitarium after another is being closed up because tuberculosis no longer is a disabling disease.

It is now a short-term illness treated by the new wonder drugs and in general hospitals, so we do not have that. The second case I can cite are the results of our attack on polio. In the case of that dread disabling disease, I think we have every reason to look forward within the next 5 years to its practical elimination in this country.

So I think, as we attack one after another—actually we have no more diphtheria, we have no more whooping cough, we have none of these diseases that in the past have been somewhat crippling or disabling.

I think we can look forward to the time when we have fewer and fewer permanent and total disability cases resulting from these diseases which are now being attacked by the research teams, both governmental and private.

And, I would urge that we do consider attacking the disability problems by trying to find out what they are and then, perhaps, devoting money to research and attacking them at their cause rather than by paying the benefits.

Senator MARTIN. Mr. Chairman, I agree with you fully, but isn't it probably true that by reason of so many powerful drugs and things of that kind, that we are eliminating diphtheria and scarlet fever and typhoid fever and many others, but it is weakening the heart and may be a cause for other disabling diseases?

Now, the weakening of the heart has become quite a serious thing. Mr. Chairman, I am taking it from a military study.

A few years ago that did not appear as one of the dangerous things as far as our military personnel was concerned. Now it is. Cancer is another. We did not use to have to contend with cancer in the military service, but we have to contend with cancer now.

I am great for the preventive medicines. I go to my doctors quite frequently and I go to the hospital once a year. I have done that practically all my life. I am very much for preventive medicine, but with these wonder drugs it has also given us another field where I just do not know whether we can eliminate it all.

What I am getting at, Mr. Chairman, is whether we can just eliminate that as one of the dangers confronting us. If we eliminate one thing, we have maybe caused another. I do not know, I am not a medical man.

Senator KERR. You mean, often the solution of one problem creates another?

Senator MARTIN. That is what I am getting at.

Mr. MARSHALL. It is a very interesting area for attention. I have had a little medical experience as president of the hospital board in my hometown. And I am not too sure you cannot draw a different conclusion from the one you have drawn from the same facts.

Senator MARTIN. I am hoping so, but I am just raising it because I think it has to be considered before we make our conclusion.

Mr. MARSHALL. You are perfectly right. That is one of the things that should be very carefully studied, and I would like to submit that it is possible to draw the conclusion that you have drawn from it. There is no doubt of the larger number of deaths from cancer and heart trouble than we have ever had before.

Now, you can draw the conclusion that perhaps they are caused by the weakening effectiveness of wonder drugs and so forth. On the other hand, I think you should look at this fact, that the elimination of the diseases of childhood may, on the contrary, have strengthened us.

My two sons, for example, are quite husky young men, and I suspect that they are going to be more resistant. They are going to live for a longer time and then die from one of the typical diseases of old age, which at the moment are cancer and heart trouble. And I think that you may find the reason for the greater prevalence of diseases of that type is because we do live longer and when we die, we die from the common diseases that take us at those ages, rather than from a disease like pneumonia and mastoid and other things that have been practically eliminated by wonder drugs.

But, as I say, here again is a whole area that I do not think we have facts enough on which to make a considered conclusion.

Also we have for this problem of disability a program of vocational rehabilitation, which to my mind is a great program for taking care of the disabled.

And I would like to urge more careful consideration—and more money spent on vocational rehabilitation. Let's get the fellow back into the productive force, not only for the sake of the production that he gives, but also for the sake of his own self-esteem. Let's not give him an incentive to malinger, let's give him an incentive to get back to work, because it is very much better for him.

I have in mind a very good friend of mine whom I am sure all of you gentlemen would agree, as the doctors would, was permanently and completely disabled for his profession. He was a patent attorney—completely blind and had been so for years. Yet he is one of the leading patent attorneys of this country, even while he is permanently blind. It isn't the incentive and urge for money. It would be easy for him to claim total disability. He is on the one side.

On the other side you have the fringe worker, the worker who has a little difficulty in holding on to his job anyway—and don't forget, these are all going to be covered under this program. It is going to be a little hard to inspire him with a desire to get back and work hard to hold his job, if, by making sure that his lame back doesn't recover, he can get a check weekly or monthly for that disability. Those of you who have had experience in workmens' compensation know that better than I do.

And that leads me to the third point. The answer to it is obvious but I have just pointed out I don't believe that a monthly cash benefit is a constructive approach to disability. I think that John Miller of the Monarch Life Insurance Co. testified before this committee in 1950, and he gave some of the most striking testimony at that time. He has been here since then—I think he appeared before you gentlemen on February 14 and added to that testimony. But I would like to have you go back and take a look at the figures he presented in 1950 as to the claims for disability benefits on life-insurance policies as compared with those which had only a waiver of premium clause to see what effect a financial incentive to stay disabled does to the moral fiber of many of us.

Now, I think there probably isn't any doubt that disability cash benefits at 50 will lead to other changes in social security; because there isn't any magic about age 50. If a man is 45 and has 4 children to support, and becomes permanently and totally disabled, it seems to me much more just to give him weekly or monthly disability benefits than it is to give them to a man 50 who is single and has no dependents. I think there is no magic to age 50.

I think inevitably we are going to have disability benefits below age 50—at 49, 40, we will pay survivors' benefits. It has already been proposed to pay survivors benefits to children over 18 if they are permanently and totally disabled. You have only to stretch those two things and you bring them together, and you have a permanent and total disability program without regard for age as a part of this so-called OASI program.

With respect to how much these benefits would cost—again I would give you the warning not only about looking carefully at this level premium basis on which the estimates have been given to your gen-

tlemen, but also at the long-range costs of the provisions that will inevitably follow from these two proposals before you now.

Now, we come next——

Senator CARLSON. Before you leave that, Mr. Marshall, the Kansas State Chamber of Commerce, which is a member of the United States Chamber of Commerce, has a committee known as the social legislation council, which is composed of industrialists, businessmen, editors, leaders, and doctors. And they have studied both provisions that you have discussed on disability insurance, and the eligible age for retirement. and have passed some resolutions regarding it.

Mr. Chairman, I would like to offer these recommendations for the record at the conclusion of his remarks.

Senator KERR. They may be inserted at that point.

Mr. MARSHALL. I think it would be worthwhile now, gentlemen to consider the increase in the tax rate. We have got to take a very serious look at the increased tax rate, because don't forget the tax on the employer-employee combined under the present law will be 8 percent in 1975.

Now that is a substantial burden, without adding anything to it. I think we ought to take a very careful look before we add even 1 percent to that, much less before we put entirely new provisions in the bill which are likely to add a great deal more by reason of the growth of those things in the next 20-year period.

So that leads me to my final point, the long-run implications.

Senator MARTIN. May I ask a question there?

Senator KERR. Yes, Senator.

Senator MARTIN. I presume this isn't practical, but might not it be a good idea to increase the rate until this system could become actuarily sound? I think in Pennsylvania our teachers' retirement—it is my recollection that it is a total of 14 percent, half of it by the teacher and one-fourth by the local community, and one-fourth by the Commonwealth. And it is actuarily sound.

Now, I have sometimes wondered whether—this plan is a forced saving, is what it is—and I think it keeps up the morale of people, they can look forward and know they have something to depend on in their declining years—but if it was actuarily sound I wouldn't be worried about it at all.

I realize that it is a pretty big percentage, but I wonder if after you get it working, take a generation, it isn't a sound approach to this thing?

Mr. MARSHALL. Personally, Senator, I feel that there is a place in an industrial-urban civilization such as ours for a sound program of social security for the aged. I think it is probably a necessity as long as it is kept on a sound basis. And one of our major problems in keeping it on a sound basis is exactly the one that you point out.

The system has not yet matured, so that the taxes on the present generation of workers do not reflect the ultimate costs of their benefits. One way to do it, of course, is the way you suggest—to have a tax rate which would make the program actuarily sound. Actually I am not too sure that if you did that you wouldn't get into more difficulties than you would solve.

Senator MARTIN. That is probably true, I don't know.

Mr. MARSHALL. You would have a tremendous trust fund there. It would be almost equal to the total national debt at this time.

Senator MARTIN. It would eventually become larger, unless we start to increase it some of these years, it doesn't look as though we are inclined to do it.

Mr. MARSHALL. I was going to mention this point later. The chamber had a proposal before you gentlemen a couple of years ago that I think is a sounder way to approach this same problem, and it is the way that private pension plans have done it for a long time. And that is to mature the system. What we have now is that 9 out of 10 workers are paying taxes, and only 5 out of 10 old people are getting benefits. If we should decide today to pay the 9 out of 10 old people benefits, we would immediately have the system mature. We would have to then have a tax rate on the working population that would reflect in some measure the ultimate cost of the plan. This would enable us to be paying as a matter of right to most of the aged in this country of ours today a benefit direct from the Federal Government, instead of selecting only those who are "in need" as determined by the several States. I think that could be worked out so that it would put this system on a sound basis—in fact, on a pay-as-you-go basis. Your tax rate would reflect the ultimate cost, and we would be in a much sounder position than we are in at the present time.

As I say, I was going to make that point later, but I think it is a very important one.

Senator MARTIN. Mr. Chairman, Senator Long and I introduced an amendment, I guess it was 2 years ago, and we went through it, and we didn't get any place. I thought at that time it was sound, and I still think it is sound. But it is awfully hard to get out of it what we pay. Now, I am on the retirement sytsem of the Commonwealth of Pennsylvania. I paid about $25,000 into that system, and it is actuarily sound. Now, I paid that in at a time when it was pretty hard to do it, I mean, I could have used the money very easily to educate my children, and so on. But now I am very glad that I was forced into it.

Mr. MARSHALL. With respect to the long-run implications of this bill, I would just like to mention first that the bill, if enacted, would introduce a new practice of dubious merit—that of intermingling tax money raised for one purpose with tax money raised for another purpose. It commingles funds raised for disabillty benefits with those of another program providing benefits for the loss of income because of old age.

A national health program including disability benefits is going to be very expensive after a 20-year period of growth. And I think that we should very carefully consider this before we put taxes raised for one purpose—before we intermingle taxes raised for one purpose with taxes raised for another purpose, so that the taxpayer and voter is not able to make his choice of how much of either he wants, because it isn't clearly presented to him. It seems to me that those who advocate disability and health benefits as a program should be willing to have that program stand on its own feet and develop a program of that kind as a unit, and shouldn't try to jeopardize the soundness of an old-age-benefit program by intermingling the two together. That is one of the most dangerous things, as I see it. I have ultimate confidence in the wisdom of the American voter and the American taxpaer as to the soundness of the decisions that he makes, and you gentlemen as his representatives.

But I have a very bad feeling that he is being misled by not having the issues clearly presented to him. And it seems to me that this is one of the ways in which he will be confused by having one of these health programs mixed up with his old-age program so that he can't clearly see the issues with respect to each.

Secondly, I think there is no doubt about the chain reactions which this kind of a bill will generate both in the reduction of retirement age and in disability benefits—and the very large costs which would then emerge.

Here are some figures of Mr. Robert J. Myers with respect to this thing that illustrates the problem.

According to Mr. Myers, future benefits to all on the social-security rolls at the end of 1954, plus benefits to all workers with any coverage at that date, and to their dependents and survivors—that means the present pensioners plus the workers who are already covered under the system—the cost of those benefits is an estimated $443 billion. In other words, if we said today that this system is frozen, people who no whave rights under it will continue to have those rights, but no new people may enter the system, we would still have to pay out $443 billion.

Senator KERR. But we would have remaining the income for those covered for the years from their present age until they reach 65.

Mr. MARSHALL. And that income, Senator, would amount to $198 billion. That is the next point.

In other words, they would pay less than half of the cost of the benefit.

Senator KERR. That figure is based, however, upon the assumption that there would be no deaths.

Mr. MARSHALL. No.

Senator KERR. Then what is the assumption with reference to deaths and those being eligible for the benefits claiming them?

Mr. MARSHALL. They are the usual actuarial assumptions that the actuaries for any system of this kind make, and on which any of the estimates of the system are based. Not being an actuary, I myself can't tell you, but they do factor in deaths at different ages, so you would have a diminishing number. You have got a group of people aged 20 and over covered under the system.

Obviously, all of that group will not arrive at age 65. Those deaths have been factored in. And the taxes will be factored out for those who die before reaching retirement.

Senator KERR. In other words, arriving at these figures you have reduced the ultimate liability by the probable deaths on the one hand and by the probable percentage of those entitled to the benefits refraining from claiming them on the other hand; is that correct?

Mr. MARSHALL. These are Mr. Myers' figures. He is chief actuary for the system. I would assume, knowing his very careful and accurate methods—and I have a very high regard for the gentleman—that he has taken into consideration all of the usual factors that a careful actuary does in preparing estimates of this nature.

Senator KERR. You don't know that these factors have been taken into consideration in preparing these figures. Does the gentleman with you know?

Mr. SCHLOTTERBECK. He gives the basic figures in Actuarial Study No. 39. That is where you will find the figures.

Mr. MARSHALL. That is Actuarial Study No. 39, published in 1954.

Senator KERR. You are lifting, then, from the study to which you refer, the statement that you make here on page 24?

Mr. MARSHALL. That is exactly right, Senator.

Senator KERR. Without knowing just how they were arrived at?

Mr. MARSHALL. That is right, Senator. You see, what I do, I take a good actuary and rely on his knowledge.

Senator KERR. I am not complaining about what you did, I am just trying to ascertain what you did.

Mr. MARSHALL. That is the point I want to make, our liability to this group is $443 billion, and they are going to pay in taxes $198 billion during their working lives. That leaves a deficit of $245 billion, and if you deduct from that the $21 billion now under the trust fund, you will still have $224 billion of benefits that will have to be paid out of taxes——

Senator KERR. Did you take those figures from Mr. Myers?

Mr. SCHLOTTERBECK. They are based on his figures.

Senator KERR. I can see an error in that; I don't care where you took it from, because, considering the $21 billion then in the trust fund, you say that would reduce the $245 billion only by $21 billion, and I know that you have failed to take into consideration the interest earned on the $21 billion.

Mr. SCHLOTTERBECK. All of these figures are expressed in terms of present values so as to get——

Senator KERR. There is that amount of money presently in the trust fund.

Mr. SCHLOTTERBECK. That is right, present values.

Mr. MARSHALL. I think what Mr. Schlotterbeck is pointing out here is that if we added interest to the amount now in the trust fund, we would also have to add interest in the estimated liability of $443 billion.

Senator KERR. But the estimated liability didn't draw interest. You are talking about the total amount that would have to be paid to them; aren't you?

Mr. SCHLOTTERBECK. Discounted to the present time.

Mr. MARSHALL. Discounted to the present time.

Senator KERR. You are going to have to show me on that.

Mr. MARSHALL. Suppose we ask Mr. Schlotterbeck to file a memorandum.

Senator KERR. Unless you are sure about it, I would rather you wouldn't state positively.

Mr. MARSHALL. We will submit a memorandum.

Senator KERR. I would be very glad for you to do so. I would like for you to figure out in that memorandum that you submit how you can arrive at the present amount of liability with reference to future payments having to be paid and find the figure other than the total of the amounts you estimate will have to be paid.

Mr. MARSHALL. Actually in a sense, Senator, I don't know how this should be done, but Mr. Schlotterbeck will file a memorandum with you. I would suggest it is in a sense what the insurance company does——

Senator KERR. I do know this. You have got $21 billion in a trust fund now, and you are going to have it there over a period of 30

or 40 years drawing interest, and the interest will be larger than $21 billion.

Mr. MARSHALL. That is right. Actually an insurance company does the same thing. When you say to them, "I want to buy an annuity from you starting 20 years from now at $100 a month," they will tell you today that it will cost you $25,000, or whatever the figure is, for that annuity. And they have discounted the interest that the $25,000 will draw, and the fact that the payments won't start until later.

Senator KERR. But they haven't discounted the amount of payments they will have to make?

Mr. MARSHALL. The $25,000 is the present value——

Senator KERR. That is the present value of the $25,000. But the value of the $25,000 plus the interest, so they say, until liability materializes, is sufficient to pay a certain total amount of benefits.

Mr. MARSHALL. That is right.

Senator KERR. Now, what you have said is that the total amount of benefits is $443 billion.

Mr. MARSHALL. In present value.

Senator KERR. This isn't what you say——

Mr. SCHLOTTERBECK. It is in the footnote.

Senator KERR. That is future benefits. Show me where it says present value and future benefits.

Mr. MARSHALL. In the footnote, Senator.

The dollar figures have all been expressed with the common denominator of present values.

Senator KERR. But the present value is of present assets.

Mr. MARSHALL. That is right.

Senator KERR. And the figure of liability, in my judgment—if you are going to submit a memorandum, you make it very clear if the total future estimated cost is going to exceed $443 billion.

Mr. MARSHALL. We will submit a memorandum and make that clear.

Senator KERR. Now, if you are going to find that that is the present valuation of the future liability, I want to tell you you are going to arrive at a figure of future liability astronomical even in the minds of people accustomed to the kind of figures we are thinking about in our present tax bills.

Mr. MARSHALL. I agree with you, Senator.

Senator KERR. Let's be sure that we not only understand what we say, but that we are accurate in what we say.

Mr. MARSHALL. I agree with you.

These figures are quite astronomical.

Senator KERR. Yes; but they are nothing compared to what they would be if the future liability is sufficient to require a present evaluation of $443 billion.

Mr. MARSHALL. Twenty years from now.

Senator KERR. Well, in the future, the life expectancy.

Senator BARKLEY. Speaking of astronomical figures, we will keep on here until we get up to a category like that to which Judge Thomas down home could only refer to as "bull-rillions."

(Mr. Marshall subsequently submitted the following:)

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA
Washington 6, D. C.

MEMORANDUM

At the close of 1954 there were 6.9 million aged persons, dependents, and survivors receiving OASI benefits, and 91.4 million other persons with some OASI coverage but not receiving benefits. Over the ensuing 90 to 100 years these 98.3 million persons will receive an estimated $923 billion of benefits. Meanwhile, the 91.4 million employees and self-employed persons with some coverage will, during their remaining work life, pay OASI taxes which together with the matching taxes by employers, will aggregate $300 billion.

The entire period of both benefit receipts and also taxpayments will cover some 9 to 10 decades. In the early part there would probably be some excess of taxpayments over benefits, resulting in some increase to the existing $21 billion trust fund. There would also be some interest credited to the fund.

The figures above indicate that benefit payments subsequent to 1954 to a specified group of persons will exceed by roughly $623 billion the OASI taxpayments that can be expected from the workers involved, and from their employers. Part of this excess could be financed by the existing trust fund plus any increments and interest earned.

The above figures for benefit payments and social security tax receipts cover differing periods of time, and hence are not on a strictly comparable basis. They can, however, be expressed on a common basis by reducing these figures for future benefit payments and tax receipts to "present values"—that is, discounted at 2¼ percent. Estimated future benefits to this group including beneficiaries on the rolls at the end of 1954 plus all future beneficiaries who had any coverage at the close of that year will aggregate an estimated $443 billion in "present value." The taxpayments to be made by these workers and their employers will amount to $198 billion, leaving an excess of benefits over tax receipts of $245 billion (in present value). The trust fund of $21 billion is in present value terms. If that is used there is still a deficit of $224 billion as the "present value" of taxpayments on future workers and employers that will have to be made to meet these benefit payments.

Mr. MARSHALL. Gentlemen, I just want to point out in conclusion we believe it is imperative while the system is immature, is not fully mature—we are paying benefits to about only half our aged people—that we don't load it up with greater benefits or new types of benefits which in the long run will make the tax rate so high that the employer and the workers at some future date, say 20 years from now, will rebel at the burden of taxes placed on them.

For that I can only refer to what is happening in France and the countries in Europe where they have maturing systems of this nature at the present time.

I appreciate very much, gentlemen, the opportunity of appearing before you.

Senator KERR. Thank you, Mr. Marshall. You have made quite a contribution.

(The recommendation of the social legislation council of the Kansas State Chamber of Commerce referred to earlier are as follows:)

RECOMMENDATIONS OF THE SOCIAL LEGISLATION COUNCIL

Emanating From Meeting on December 9, 1955

1. Disability insurance

The primary goal of any public disability program should be to help disabled workers through vocational rehabilitation and financial aid where necessary. The best means for reaching such goals are through voluntary agencies and State public assistance programs in conjunction with State vocational rehabilitation agencies. Beyond programs already established, there is no evidence that the disability problem is of sufficient magnitude to justify a new exclusive Federal

program or expansion of the old-age and survivors insurance benefit based on arbitarary age limitations and conjectural costs. The proposal to incorporate a total and permanent disability benefit program within the Federal old-age and survivors insurance system is therefore opposed.

2. Reduction of eligibility age

Reduction of the statutory social security eligibility age runs counter to the trend of increasing longevity of the American people as well as to the major social and economic objective of wider employment opportunity. Such reduction in age, with its obvious repercussions on both public and private programs and laws, is therefore opposed.

Senator KERR. At this point in the proceedings I place in the record a statement by Walter Reuther, president of the International Union of Automobile, Aircraft & Agricultural Implement Workers of America, UAW, in support of the disability provisions of the bill.

(The statement referred to is as follows:)

STATEMENT OF WALTER P. REUTHER, PRESIDENT, INTERNATIONAL UNION OF AUTOMOBILE, AIRCRAFT, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)

The most serious omission in the original Social Security Act was its failure to provide income for employees suffering from long-term disabilities. We in labor have long urged that this omission be corrected by the incorporation of disability insurance in the Nation's social-security system.

Provision for disability retirement is possibly even more important than old-age retirement benefits. As I testified to the Senate Committee on Finance in March 1950:

"The worker who, because of permanent or temporary disability is unable to work and earn wages, can become just as broke, hungry, cold, dispossessed, and depressed as the * * * brother or sister who is * * * unemployed through no fault of his * * * own, or the aged worker who has chosen or been forced to retire.

"The Social Security Act * * * has provided some measure of security to the able unemployed and to the aged worker. But it has provided nothing for the worker who, however willing he may be, is temporarily or permanently disabled and incapable of working.

"Often, if not always, it costs more to be unemployed and disabled by sickness or accident than to be simply unemployed but well and able to work * * *

"Normal family life and development of the children may be disrupted, even wrecked by the catastrophe of unemployment plus disability plus extra expense plus total lack of income.

"Normal recovery and rehabilitation of the disabled breadwinner are often delayed or prevented by this drying up of funds and credit and accompanying anxiety.

"* * * No program which involves a means test can be considered to offer security to the worker and his family."

But the Congress has enacted a means test program instead of insurance for the disabled. It did so partly because of the many unsupported charges and half truths that have been leveled against disability insurance: that disability is uninsurable, that the cost of such benefits is uncontrollable, and that disability benefits will jeopardize our social order. It has even been asserted that disability insurance will bankrupt our economy.

Today we are better able to evaluate the issues factually in the light of experience rather than platitudes, phobias, threats, and prophecies.

Through negotiations with such employers as the General Motors Corp., the Ford Motor Co., the Chrysler Corp., and many others, our union has established pension plans covering more than 1 million employees and providing permanent total disability benefits for eligible employees. Many other unions and employers have joined to provide protection against permanent disability.

The results have been entirely successful. This experience, like that accumulated through the years under workmen's compensation laws, veterans' legislation, the Railroad Retirement Act, and many State and city retirement systems, proves that long-term disability benefits are entirely feasible.

In the earliest pension plans negotiated by the UAW, benefits were payable only to employees who became disabled after attaining some required age, such as

50 or 55 years. Our experience has shown that this age restriction was unnecessary. Together with the major employers with whom we negotiate, we have eliminated such provisions. Today, an employee who has completed the requisite service is entitled to disability benefits on becoming sufficiently disabled, regardless of his age.

Because of the wild charges that have been leveled against disability insurance we, too, were intimidated. In making our early actuarial estimates, the union used very conservative assumptions concerning the incidence of disability. This resulted in gross overstatement of the expected number of disability benefits. Actually there have been fewer than one-fourth of the expected disabilities. We have since adopted more realistic rates of disability which reflect past experience, although they still incorporate a reasonable margin for adverse experience.

We have also examined, in the light of experience, the kinds of conditions on which disability pensions have been awarded. More than 4,000 disability benefits have been granted to disabled UAW members under our negotiated pension plans. We have found that, contrary to the sweeping charges that disability cannot be verified, there was relatively little difficulty in determining that there existed a very serious and generally permanent disabling condition—one often resulting in death.

Among the more common causes of disability resulting in pension awards have been arteriosclerosis, degenerative, or hypertensive heart disease, coronary occlusion, cerebral hemorrhage, apoplexy, strokes, or brain injuries, and so forth.

Although we have established procedures for arbitrating doubtful claims, I do not recall one situation in which labor and management members of the boards of administration, who grant pension benefits on the basis of medical evidence, have found it necessary to resort to arbitration.

Although the UAW experience has been successful, negotiated pension plans reach only a limited segment of the American labor force. Unlike the governmental social security system which protects workers in all covered employment and throughout their working lifetimes, negotiated pension plans cover employees only while they work for a specific employer. The negotiated plans are supplementary; the need remains for disability protection under the Federal Social Security Act.

Our union believes that rehabilitation should be encouraged wherever there is reasonable hope of restoring a disabled worker to a more productive and fuller life. We therefore employ the diagnostic procedures by which disability is determined to explore the possibilities for rehabilitation. The diagnostic examinations to verify whether a worker is disabled are designed to maximize rehabilitation possibilities. We have found that suggestions have often come from such examination that are of tremendous medical assistance to the disabled worker. Nevertheless, there are workers who cannot be returned to gainful work by rehabilitation. These people need insurance income.

I yield to no one in my admiration of the great accomplishments of rehabilitation and in recognition that we must do everything possible to encourage the rehabilitation of the disabled. Rehabilitation, as an institution, however, is not an alternative to disability insurance. We must reject the questionable policy of attempting to starve people into rehabilitation by failing to provide needed disability income.

Lack of income, lack of security and the humiliation of the means test are far more damaging to a worker's morale and to his chances of successful rehabilitation than any cash insurance benefit could conceivably be. In a properly designed social security system, both rehabilitation and cash insurance are needed. They are not in conflict; rather they reinforce each other.

The time has now come for questioning the relevance of—certainly for reappraising—the unfavorable experience reported by life-insurance companies with permanent total disability benefits. In 1948, the Advisory Council on Social Security, in recommending inclusion of permanent disability insurance under the social security system, said in part:

"We are aware that in the past many life-insurance companies have had unfavorable experience with disability insurance. In our opinion, that experience is important but not conclusive."

It does not follow that, because life-insurance companies experienced losses, the same would occur under a social-security program. There are profound differences between disability benefits purchased as part of life-insurance policies and disability pensions awarded under a retirement system.

Under life-insurance policies, there was nothing to prevent persons who could afford it from buying disability insurance benefits that were greater than their

regular earnings. Pension plans, on the other hand, keep disability benefits in an all too modest relationship to earnings.

The losses experienced by the life-insurance companies were caused by a variety of factors which would not necessarily apply to the social security system at this time. When the policies were written, there was a serious lack of experience. Inappropriate disability rates were used. It was presumed that disabilities which had lasted only for a short period would be permanent, even though medical evidence did not indicate permanent disability. There were unwise efforts to oversell disability insurance. As a result, the analogy between insurance company experience and what might happen under a social insurance system is altogether faulty. There is a long record of successful experience with disability pensions under governmental programs such as the railroad retirement and Veterans' Administration systems in this country and other systems throughout the world.

Anyone who has examined the widespread adoption of disability benefits both at home and abroad must realize that the quest for such protection arises out of a prevailing insecurity of workers. It is not intended, as has been charged, as an opening wedge toward socialized medicine. Under disability insurance, physicians certify the extent of physical or mental disability. The record shows that there has not thereby been interference with the practice of medicine. Most industrial countries in the world now have disability insurance. While some of them also have national health insurance plans, others do not, and there is no necessary or inevitable connection between the two programs.

As for the assertions that the cost of disability benefits is indeterminate, a close examination of actual experience would indicate that disability benefits actually vary less widely and are more predictable than old-age retirement pensions.

The disability freeze provisions that were recently enacted are a step in the right diretcion, but they do not meet the continuing need of disabled people for income. The freeze removed a particularly restrictive provision in the old law, under which disabled employees not only failed to receive cash income that they needed, but also jeopardized their eligibility for benefits at age 65 and reduced the amount of such benefits.

The time has come to provide directly for disability income under our social-security system. Disability insurance is urgently needed and entirely feasible. There is no excuse for continuing to resort to relief instead of social insurance for disability income. This year we believe the American people are expecting the Congress to plug up this most conspicuous gap in the American social-security system.

Senator KERR. Mr. William G. Caples.

STATEMENT OF WILLIAM G. CAPLES, DIRECTOR, NATIONAL ASSOCIATION OF MANUFACTURERS; ACCOMPANIED BY DONALD J. EICK, INDUSTRIAL RELATIONS DEPARTMENT, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. CAPLES. I have a very long statement here——

Senator KERR. There wouldn't be any precedent created by such a situation.

Mr. CAPLES. I would like to omit some of this, but I would also like——

Senator KERR. We would not discourage you in that. Now, anyway, however you want to do it, you may do it.

Mr. CAPLES. Thank you.

My name is William G. Caples. I am a vice president of the Inland Steel Co., of Chicago, Ill. I am a director of the National Association of Manufacturers, serve as chairman of its employee health and benefits committee. This committee studies and analyzes social security, unemployment compensation, and related matters.

NAM welcomes the opportuinty to persent its views on the proposed amendments contained in H. R. 7225. The members of the NAM employ a substantial number of the people whom the OASI

program was originally designed to serve. In addition, the employees and employers of 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 Federal 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. Our testimony presented on behalf of the association by Mr. Ira Mosher to this Senate Committee on Finance on March 17, 1950, was entitled "The Federal Program of Old-Age and Survivors Insurance and H. R. 6000" and later was printed and published in booklet form that year by the association.

In September of 1954 after several years of continuing study our association published another booklet entitled "Retirement Security in a Free Society."

Senator KERR. We would be glad to have them.

Mr. CAPLES. Much of our testimony before the House Ways and Means Committee on H. R. 7199 in 1954 was based upon the findings contained in this and the previous report.

While both these documents are comprehensive studies in the nature of a constructive examination of the assumptions on which our pension planning has been based, we would be the first to admit they do not have final answers to the many problems discussed because of lack of basic data. Unfortunately time will not permit detailed reference to them. However, they will be filed with the clerk for the use of the members of this committee.

I quote two paragraphs from the introduction to Retirement Security in a Free Society:

> Our key governmental pension mechanism—the Social Security Act of 1935—requires thorough reexamination after its 19 years of operation. Ever since enactment it has been the subject of continued questioning, both because of its basic concept and because of fear that it contains inherent defects which threaten to defeat its announced objectives. Such a reexamination should not be carried out in a spirit of antagonism. Effective steps to provide against old-age dependency are firmly supported by a large majority of our population and by our business and political institutions, though doubt exists as to the identity of these "effective steps."
>
> Proposals for change in both public and private programs are many and varied as to underlying principles, mechanics, and possible consequences. The public, regarding both private pensions and OASI as desirable means of achieving old-age security, may not have the information necessary to judge the quality of the promises made by these proposals, and their ultimate consequences to our economy and society. Honest and enduring plans for the aged must be made from the broadest possible base of information as well as from a balanced consideration of economic, social, political, and humanitarian values.

I should like to repeat and emphasize that last sentence, for I believe it reflects the attitude of industrial management in this country and it is the ype of yardstick which we think should be applied to the currently proposed amendments to the social-security law.

Honest and enduring plans for the aged must be made from the broadest possible base of information as well as from a balanced consideration of economic, social, political, and humanitarian values.

In our opinion, the pending bill, H. R. 7225, does not meet this test.

The pending bill would somewhat extend the types of employment covered by the system, but its major proposals are reduction of retirement age, establishment of a system of disability benefits, an increase in the social-security tax rates, and the establishment of an advisory council.

Senator KERR. May I ask you at that point if you are expressing opposition to the increasing of the coverage with reference to the additional classification of the employment which the bill would apply.

Mr. CAPLES. No, sir; we are not. The extent of coverage is something with which we are substantially in accord.

Senator KERR. As to classifications of employment, but not as to benefits to additional groups or changed specifications of present groups, that is, like changing the age at which they would be eligible?

Mr. CAPLES. That is correct, Senator.

Our examination of the issues and problems in old-age security indicates a great need for extension of basic research in the broad fields bearing thereon. A lack of basic information is, at present, the most serious obstacle to real progress in social security.

The experimental nature of our social-benefit programs should not be ignored, even though their existence as a permanent institution may be taken for granted. Recognition of the experimental nature of the social-security program does not mean that we are committed to incessant tinkering with it.

We lack basic information on the vital issues and problems in old-age security. Permanent and irrevocable decisions as to the OASI program should not be adopted until a study has been made by an advisory council truly representative of various viewpoints and with full access to data not presently available. Such a council could properly advise the Congress regarding any intended change in the social-security law and thus increase the probability of establishing a sound national policy.

Social-security changes should be made only after careful study and full appreciation of what the change will mean, for it is extremely difficult, if not impossible, to make later corrections which involve taking away any advantage any group may derive from the mistake.

As a concrete illustration, we might consider some results of the extention of OASI coverage to Puerto Rico.

It is interesting to note our testimony in 1950 on this subject in which we advised:

Before the expanded program is applied to the Virgin Islands and Puerto Rico on the same basis on which it is intended to apply in the United States, and particularly if the program is to cover agricultural employees and farmers, we suggest that a careful survey be made as to the effect of such extension in these territories. It is quite probable that the impact upon the economy of these areas and upon the incentive for useful employment might be so great as to do more harm than good. It is quite probable that it might be best to apply the program to these areas on a modified basis, providing for lower benefit levels. We do not presume to speak for these areas, but merely raise the question for your consideration.

But the Social Security Commissioner testified in 1950 that such study was not necessary and Congress extended this coverage.

Puerto Rico wages of 1952 are shown in table 15 of the September 1955 Social Security Bulletin. And these were the latest figures we could get, incidentally.

The median monthly earnings in Puerto Rico were $42—half the covered employees earned this amount or less. A Puerto Rico median wage worker and his wife are paid equal benefits to 107 percent of the Puerto Rico median wage of $42—and he does not have to retire.

The minimum social-security benefits for a worker and his wife are $45 per month and are paid workers whose wages have averaged less than one-half of this amount.

In the United States the median monthly wage was $185—between 4 and 5 times as great as that in Puerto Rico. The United States median wage worker and his wife receive retirements benefits equal to 56 percent of the United States median wage of $185—provided that he retires.

In our testimony in 1950 we did not forecast the specific results I have just described nor did any other group. Nor can it be expected that witnesses at the present hearing will provide this committee a comprehensve review and analysis of the pending proposals and results. This could be expected only from a study group with a technical staff and access to social security data such as would be provided under the pending bill.

THE ADVISORY COUNCIL

Let us first discuss the composition and assignment of such a council and then the other proposed amendments to the law which, in our opinion, make the creation and establishment of such a council a basic necessity for the Congress, if we are to have adequate data for intelligent planning of necessary changes in the social-security law.

The Council as proposed by H. R. 7225 would consist of the Social Security Commissioner who would act as Chairman and 12 other persons. It is stated that these "shall, to the extent possible, represent employers and employees in equal number, and self-employed persons and the public."

It is our suggestion that employer and employee representatives be nominated respectively by our national business and labor oragnizations.

It would likewise seem appropriate for the major farm and professional organizations to nominate the representatives of the self-employed.

As the system is financed wholly from social-security taxes imposed on those mentioned above, as individuals covered and their dependents are the beneficiaries, and as coverage is now nearly universal, it seems superfluous that the Council should also have representatives specifically chosen as representing the public.

I don't know where you could get a group that really didn't have interest any more.

It is also suggested that the Chairman should be elected by the other members.

We approve as highly essential the authority which would be given the Council to engage outside technical assistance as well as to use HEW departmental personnel and to have access to all the Department's pertinent data.

Under the bill the Council would be established prior to the scheduled stepup in taxes prior to 1959. We recommend immediate establishment of the Council. We also recommend that the Council be given the duty of studying and reporting on the reduction of retirement age and of establishing disability benefits.

Finally, it is our recommendation that such an advisory council should operate not under the executive branch but independently and should report to the appropriate committees of the Congress.

Senator BARKLEY. I have forgotten who appoints the Council.

Mr. CAPLES. Who appoints the Council under the bill?

Let's look at the law itself.

Senator BARKLEY. The point I had in mind is that it is provided that the President shall appoint it. I suggest that it might be in conflict with the Constitution, which provides that the President shall appoint all officers, but if he has to appoint them from the list recommended by these organizations we are talking about, it would almost take away from him the authority to appoint and make it automatic, depending on the recommendations of some outside organization.

Mr. CAPLES. I think at present, Senator Barkley, under the International Labor Organization, the appointments are made by the Federal Government, but they are made on the recommendations of the major industrial associations and the major labor associations. So that the representatives of labor and the representatives of the employers who go to the——

Senator BARKLEY. That is true. There is a little difference there between those representatives and an officer of the Government of the United States. Never mind looking it up.

Mr. CAPLES. It provides that they will be appointed by the Secretary of Health, Education, and Welfare.

REDUCED RETIREMENT AGE

In appraising this bill, one is struck by the fact that the cost of its age-reduction provisions would far exceed the cost of its disability provisions.

We know of no special and compelling reasons which necessitate reduction of the present retirement age of 65.

Whatever the overall problem may be, manifestly it is far less than when the retirement age 65 was originally adopted. For since then job opportunities have greatly increased and retirement policies have followed a clear trend toward later rather than earlier retirement.

Earlier when Mr. Marshall was testifying I think a question was asked him by Senator Williams as to whether the age was going up or down, and all of the evidence we were able to obtain is that where there is compulsory retirement it is going up and not coming down, that is, in the private plans.

As one specific example of a large company, I think Sears, Roebuck has just increased their retirement age, and I believe General Electric has, but the trend, we found, is all up.

The personal welfare of older persons is well served by this trend, and any proposal such as reduction of retirement age, which might reverse this trend, requires most critical examination.

The report of the House Ways and Means Committee on the pending bill, page 7, states:

Under your committee's bill, some 650,000 women workers now between 62 and 65 years of age would be immediately eligible for benefits.

Table 5 of the report shows that the "intermediate" cost of reducing the retirement age for women to 62 would increase from an initial $389 million to nearly a half billion dollars by 1959, and would exceed a billion dollars per year by 1970.

Table 17 of the Annual Statistical Supplement, 1954, in the September 1955 Social Security Bulletin shows that as of January 1, 1954, there were 1,100,000 women workers aged 65 to 69, 1,565,000 aged 60 to 64, and 2,191,000 aged 55 to 60. So apparently we face an extremely rapid increase above the present number of 650,000 women workers who will be age 62, 63, and 64.

The total number of widows in this age bracket—65 to 65—is some 625,000. The report states that "some 175,000 widows and mothers of insured workers would be eligible for benefits." It does not state whether this includes or excludes widows who would receive benefits as former employees.

The third group referred to in the report are some 400,000 women between 62 and 65 who are wives of insured men. Data indicative of the nature and scope of the social and humanitarian problem of persons in this group are lacking in the report, despite their importance. How many of these are among the 650,000 women workers and how many have never worked we do not know, nor do we know how many husbands who have voluntarily retired because their social-security income, plus other income, justified their retirement, nor do we know how many husbands would elect to retire if the wife could receive benefits. Again we come back to the need for the council which could call upon the HEW Department for appropriate statistical breakdowns and other retirement data.

Both to conserve your time and to stay within our own inadequate information, I have not attempted to do more than submit a few illustrative and inconclusive statistics, and have omitted others, such as the large percentage of cases where age 62 would still leave a great many married couples with only 1 benefit. I have not gone into any of the interrelations of age reduction under our Federal social security and the Federal-State public-assistance systems, and the other public and private systems. These, too, require the thorough study and appraisal based on comprehensive data and made from all viewpoints which can and should be made by the proposed statutory council.

Your committee dismissed this age reduction proposal with this statement in your 1950 report—

Your committee carefully considered the advisability of reducing the minimum age at which old-age benefits are payable below the present age of 65. However, cost considerations make any such change inadvisable.

The proposed statutory council with the duty and authority of developing all the pertinent facts and considerations needed in settling this problem, could give the committee assurance in whatever course of action is determined.

DISABILITY BENEFITS

From social and humanitarian viewpoints total disability of extended duration presents an exceedingly appealing and important problem. Whatever may be the old-age problem of a woman nearing

age 65 who may choose to retire or who may be unable to find work, obviously it does not compare in intensity with the problem of a person who is totally disabled regardless of age.

Whatever may be the hardship in the case of a retired man with a wife age 62, in good health, who cannot draw a benefit, his problem would be much worse if his wife were totally disabled, regardless of her age.

Likewise, permanent and total disability of the family breadwinner is more of an economic problem than is his death. For his earnings have ceased and there is frequently the problem of looking after him, and there is always one more member of the family to clothe and feed than would be the case if he were dead.

Manifestly, if extended total inability to engage in any work were as involuntary and as irreversible as age and death, no valid reason could be given for refusing to provide disability benefits under our payroll tax-supported social security system while providing benefits to persons meeting age requirements arbitrarily established as ages below which or above which inability to work is presumed—often contrary to fact.

The hard facts, however, are that in an extremely high percentage of cases inability to engage in any gainful work is a complex matter of opinion, involving not only medical judgment of the extent of physical or mental impairment, but often more importantly, an evaluation of the individual's residual capacities, and a knowledge of the whole field of available job opportunities suitable for persons with the impairments and capacities of the particular individual under consideration.

Furthermore, inability to engage in any gainful work is a situation which is reversible in a high percentage of cases—not only through physical restoration but through prosthetic appliances and special training.

And of primary importance is the individual's desire and efforts toward rehabilitation. From social, humanitarian, and economic viewpoints his rehabilitation is of such high importance and its achievements so dependent on the individual's attitude and incentives as to bring into serious question any proposal for paying him assured social security benefits so long as he is not rehabilitated.

That many of our members can and do successfully operate disability benefit systems for their employees is attributable, in our opinion, to the fact of the past and prospective relations between the company and the employee, and the careful individual and continuing attention given to each case. In such a situation full individual consideration can be given to the person's rehabilitation, retaining job shifts and all the other more desirable alternatives to the last-resort procedures of branding him unfit for any work and paying him a monthly disability benefit.

The advisory council could search for some feasible procedure, perhaps involving cooperation with the individual's employer, which a public system might utilize as a workable equivalent to the personal approach and company-employee relationship I have referred to as basic to the success of private plans.

Certainly none are contained in the pending bill. In any event, this is one of the important matters which could and should be thoroughly gone into by the statutory council.

Might I observe, in passing, that immediately rushing into mass processing of disability claims and payment of disability benefits as proposed by the bill is not an alternative to allowing the destitute to suffer. As stated in the Ways and Means Committee report:

> The adoption in 1950 of the assistance program to provide for the income maintenance needs of the disabled expressed the intention of the Congress that the disabled should not be allowed to go without the necessities of life.

Instead, the primary objective, it would seem to us, is nearer that expressed in the quotation found on page 5 of that report:

> The protection of the material and spiritual resources of the disabled worker is an important part of preserving his will to work and plays a positive role in his rehabilitation.

This objective, we believe, may well be defeated rather than achieved if the Congress adopted the present proposal to merely add benefit payments to the cases which go through the present disability freeze procedure and meet the age test of 50 years.

It is amazing to us that a bill of this importance should be offered with literally no provisions—and apparently no prior consideration to the basic problem of determining disability.

The bill merely throws the program to the mercy of those now attempting to administer the present so-called disability freeze.

The program presented in paying money for disability benefits are not only more serious—they are of an entirely different magnitude from the relatively simple program of freezing retirement benefit rights.

When the freeze provision was enacted, it was assumed that the determination of disability would be made by the States and that the States would have an opportunity to process these cases through rehabilitation clinics. Has this been done in most cases? It has not.

Our understanding is that at present the disability waiver claimant is given a blank to be filled out if after a check on his employment record he is found to meet the qualifying wage requirements. He is told that the burden of proving disability is on him. So he takes this blank to some doctor and has it filled out. He brings back the record to OASI. Some of the claim forms—not the claimant—are then sent to the State public assistance or the vocational rehabilitation agency, and doctors and administrative people hired for the purpose check this paper according to the instructions from Washington and thus pass on his claimed inability to engage in any substantially gainful work, subject to Washington processing and review. The bulk of the papers, however, have been sent to Washington.

I presume that some attempt is being made, and that more will be made when the present rush is over, to implement the rehabilitation policy expressed in the present law.

Recent news releases of operations through December 31, 1955, show that of 344,367 claims filed, only 63,752 of these were forwarded for determination to State agencies, and 231,349 were forwarded to the Division of Disability Operations. State agency determinations were only 17,192.

Thus, in contrast with private disability programs, H. R. 7225 actually contemplates mass adjudication and administration on an impersonal basis by a public agency, with no day-to-day contacts or

prior work relations with the individual, no future employment to offer him and little effort toward rehabilitation.

It seems probable that enactment of the provision for benefits would mean a new flood of claimants. This concurs with the observations of the Chairman of the Social Security Administration's Medical Advisory Committee set out on page 65 of the Ways and Means Committee report.

It estimates 250,000 workers will immediately come in for these disability benefits.

The prospect of mass movement of medical histories through this impersonal process and the adjudication of 250,000 individuals as having a total disability of a permanent nature and accordingly pensioning them off is profoundly disturbing.

The letter of the chairman of the Medical Advisory Committee states that such claims as have been processed should properly be reprocessed, as the author states that—

> standards * * * for total disability have been necessarily liberal in view of the tremendous backlog and the necessity of some nonprofessional administration of the regulations. Should the payments be made immediately available another stricter interpretation of what is meant by totally disabled would have to be recommended by the committee.

The Social Security Administration would thus be faced with the unhappy alternative of a mass rush-through of claims or a long delay in payment to multiplied thousands of claimants.

The proposed legislation apparently anticipates one very distressing result in providing in section 222 (b) that the Secretary shall deny benefits to any individual who refuses to accept rehabilitation.

> Deductions, in such amounts and at such time or times as the Secretary shall determine shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deduction equals such individual's benefit or benefits under section 222 and 223 for any month in which such individual * * * refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act.

This provision admits but does not solve the problem, for as observed by the Chairman of the Medical Committee the benefits would still "serve as an inducement to deter the applicants from the often laborious process of becoming rehabilitated." The section applies only to "refusal without good cause to accept rehabilitation services." Doubtless formal "acceptance" may be induced by application of the provision.

I know from personal experience that probably the most difficult thing to handle in industry is the totally and permanently disabled worker. It is a very perplexing thing, and it doesn't make any difference whether the man is industrially injured or nonindustrially injured—which is the most common cause, because of automobile accidents.

Senator KERR. Or whether the disability arises from injury?

Mr. CAPLES. Or it may be even mental.

Senator KERR. Or it may be physical without having an injury to cause it?

Mr. CAPLES. It may be. Our experience has been that the problem to be properly handled has to have very real consideration of two means.

One is, can the man really be put back to work, can he be rehabilitated? From the standpoint of the supervisor, for instance, it is easier to push the man on pension, which is no trouble to him.

So that you have to say to the man with whom he works, "Can you you use this man?"

For instance, take a man who is totally blind, who is not really totally and permanently disabled; if you don't make real provisions for that man to work, he is easy to pension. And it is a terrifically complex problem, and one that we feel should have a lot of careful thought as to the terms, the rehabilitation, and so forth.

A further problem implicit in the disability proposal with which industry has had little experience, is that of the marginal workers, or floater, who is in effect virtually screened out from private plans by their limitation to persons with substantial work history for the particular employer.

The Ways and Means Committee report states that the proposed prior work requirements would result in benefits being "limited to persons who, through a record of work over a considerable period of time, have demonstrated a capacity and a will to work." But an examination of the requirements shows that they can be met by anyone who averages as much as $20 per month during half the calendar quarters. With virtually all kinds of jobs covered, it is difficult even for the most marginal odd-job holders to avoid being insured. Might is not be fair to anticipate a very sizable segment of insured floaters? Disability experience with these is not only extremely limited in our private systems but also in public system such as civil service and railroad retirement, as floaters typically drift into and out of coverage of these systems without enough work to qualify them for disability benefits. Perhaps the most promising field of investigating this problem is in the study of non-service-connected veterans' benefits; persons do not move in and out of veteran's status.

A more preplexing problem which would require careful study by the statutory council is the matter of disability resulting from mental illness. This may not seem of prime significance when reviewing statistics of disablements encountered in limited-coverage plans. But it looms up as a major cause of disability when mental hospital and veterans' hospital statistics are examined.

National institute and health statistics show that in 1953 the average number of patients in State hospitals for mental illness was 514,889.

Of the 103,774 veterans hospital patients in the hospital June 30, 1952, where even the last figures we had when we prepared this, 53,860 were psychotic or neurological. Of these 47,636 were psychotic.

I do not give these figures as proving anything, but merely as an indication that psychiatric conditions are common enough to be most carefully looked into, evaluated and considered by the proposed statutory council.

I might remind the committee that you specifically excluded patients of mental disease hospitals or inmates of any public institution when you expanded the public assistance program of 1950 to include permanent and total disability. The pending bill has no such disability exclusion and consideration is needed of the actual results of making OASI payments in these mental cases.

Patients of public mental institutions under some circumstances are required to pay for their care. These requirements vary considerably from State to State. The Advisory Council should examine the practical results of paying benefits to the guardians of insane disabled, with and without dependents, to determine the extent such benefits would help to support the disabled person's family and the extent social-security payroll taxes would go to the support of State mental hospitals.

Also the age limitations and benefit formula proposed for disability need most critical consideration. The proposed exclusion of disabilities under age 50 is certain of attack.

Unless the statutory council can find an impregnable basis for an age limitation, such a limitation could not be counted on to endure—both because of its irrelevance to the general conception of disability benefits and because of its practical effect of screening out some of the most appealing cases.

The pending bill would provide disability benefits in the same amounts for disability retirement as is provided for age retirement if the individual has no children under 18. But his benefits would be from three-fourths to less than half the total family benefit paid for age retirement if he has a child or children under 18.

Presumably the reason for the proposal to exclude family benefits is that if disability retirement were treated benefitwise the same as age retirement, benefits might be too attractive in some cases. For example, a worker who averaged $200 per month when working could receive $157 per month in disability benefits if he had a wife and child—and would escape $122 per year in income and social-security expenses, as well as transportation and other work incidentals. He could also select where he wanted to live without considering its distance from a job. It might be noted that the married $42 per month median wage employee in Puerto Rico, I previously mentioned, would receive $45 in disability benefits.

Whether these examples afford a reason for revising part of the age retirement benefit formula or for providing a lower general formula for disability retirement than for age retirement, or for excluding family benefits that should be carefully studied by the statutory council.

One consideration is that most individuals with dependent families have more incentive to get back on the job than do persons without dependents. Another consideration is that the benefit formula is presently so weighted that the deterrent of too much benefit in proportion to normal earnings is emphasized in the low-wage worker brackets. The "primary benefit" is almost as large a fraction of the $100 per month man's pay as is the family benefit for a man with a wife and child and whose normal pay is $350 per month.

Before concluding there is one other matter which I should like to comment on briefly—benefit costs. This cost appraisal is specified in the bill as the basic function of the statutory council.

COSTS AND PROTECTION

Perhaps the most important work of the statutory committee would be directed toward making certain that the OASI provisions are so framed that public confidence in OASI and willingness to pay the OASI taxes will continue.

This confidence cannot be enduringly maintained on the basis that confidence is placed in the equity and certainty of the voluntary insurance which we purchase. For the OASI taxpayer in fact does not have, and cannot expect to have, the relation between what he pays in and the cost of his protection or contractual rights, backed up by a reserve adequate to liquidate his and all other claims as they accrue. In time OASI cannot expect to retain confidence by virtue of the term "insurance" being in its title.

Instead, confidence in OASI must be based on general public opinion that the scheduled benefits are justified by the public purpose of the program.

The popularity of OASI cannot long rest on the idea that through some magic everyone is getting a great bargain. This is brought out in the following statement by former Social Security Commissioner Altmeyer in his recent pamphlet Your Stake in Social Security:

> Today, when the worker's contribution rate is 2 percent and the self-employed person's rate is 3 percent, contributors get at least their money's worth in protection and most of them considerably more. But eventually, when the contribution rates rise to the maximum scheduled in the law (3¼ percent for employees and 4⅞ percent for self-employed persons), this will not be true for many persons.

Shortly after this was written the tax schedule was revised and the then maximum 3¼- and 4⅞-percent rates were increased to 4 and 6 percent, respectively. The pending legislation proposes to further increase maximum rates to 4½ and 6¾ percent, respectively.

The wage base has also been broadened, and thus the ultimate maximum employer tax has been increased from the $117 payable at the date of Mr. Altmeyer's statement to $168 and the maximum self-employed tax has been increased from $175.50 to $252. The pending legislation proposes to further increase these to $189 and $283.50, respectively. It also proposes that next year an employer will pay a maximum of $105 and self-employed $157.50—not so far from the $117 and $168 ultimate taxes referred to by Mr. Altmeyer.

The combined effect of the 1954 and the proposed 1956 change would be to pay some women benefits as much as 3 years earlier, pay some people disability benefits between ages 50 to 64, increase many people's benefits by virtue of "dropouts" and "waivers," and to increase benefits. But the increase in maximum death and retirement benefits would be 29 percent while the maximum tax would have a 61.6-percent increase.

Thus the proposal, particularly as applied to the nearly 50 million OASI contributors which table 17 of the last social security statistical supplement shows are below 40, would seem to accentuate the number who will not, as Mr. Altmeyer put it, "get at least their money's worth in protection."

Senator LONG. May I ask a question?

Senator KERR. Yes, sir.

Senator LONG. When you say they wouldn't get their money's worth of protection you mean that a private insurance company could sell them the same insurance for the same amount of money?

Mr. CAPLES. No; I mean they would put more into the system than they would get out of it.

Senator LONG. Well, if a man makes a single contribution and dies the next day he would put in more than he gets out of it, wouldn't he?

Mr. CAPLES. That is true. But most people are going to get something—most of them aren't going to die before they collect.

Senator LONG. Here is the point I had in mind, just speaking of a personal situation. If I paid for certain insurance I am insuring myself against something that I fear might happen, that I do not want to happen, but in case it happens I would like to have insurance. It is the same thing when you take fire insurance on a house. You might say there you don't get your money's worth because the house doesn't burn down. Now, do I understand the burden of your argument here to be that some people would not get their money back out of this, would not get back what they are putting into the program?

Mr. CAPLES. Forgetting the insurance feature of the law, we are talking now about an annuity, and these people will not get an annuity that is equal to the money that they put into it. That is exactly what I am saying.

You see, if you bought a private annuity, which is not an insurance policy, and you died before you paid up the annuity, you would at least get the money back that you put into it. It isn't the same thing as insurance, where you take a group of people of one age and insuring against something happening to you—it is going to happen to somebody, and you are spreading the risk among the people. But when you are establishing an annuity you are putting aside so much, and when you get a certain age, you get so much returned to you. And what we are talking about is the annuity feature.

Senator LONG. What this bill proposes to do in one major respect is to sell a person an insurance policy with disability in addition to what he has. Of course, the cost of that has to go into the cost of carrying these disability features. But if he is not disabled, of course, he wouldn't be expected to draw as much in an annuity as he would draw if he put all of that money into an annuity without protection. But he still has his money's worth, he is still getting additional protection for what he is paying for.

Mr. CAPLES. You see, you are beginning to mix two things. One is insurance and the other is annuity. In other words, when you insure you are taking a group of people and you can statistically say to this group of people this will happen to so many of them. The only thing you can't tell is which ones are going to be struck by the lightning.

So we buy insurance against the contingency that we are going to be struck. And if we are unfortunate and do get struck, we get some money for indemnity. But the money indemnity that comes to all of the people that are struck by the lightning is the total amount of money that is put in by the whole group.

But when we get to the annuity, that is not a contingency, you know you are going to live to 65 or die, there are only 2 possibilities, and if you get to 65 you are going to get so much money. If you don't get to 65, in a private plan the money would be returned to you.

Of course, under the social-security system whatever you have put into that system stays, and, of course, it is actuarily figured on the basis that there will be that kind of dropout, either by death or people who will go out of the work force.

But I think one of the problems here—and Mr. Marshall, who was the witness before me, got into the fact that when you start to mix the two things in a public system, that you may add to the confusion

of the public, because they aren't quite sure what they are paying for and what they are getting for what they pay.

But here is what I am trying to show. There are approximately 100 million people who pay into this fund. And half of them, apparently, are under 40, according to the table of the Social Security Administration. And here are 50 million people that are just apparently not going to get what they are paying for. And we wonder whether that is really something that, if it became generally understood, is going to add to the confidence of people under this system.

Senator LONG. On the other hand, that hasn't been the trend so far. Those who have contributed to the fund in the early days are getting a lot more than they paid for, aren't they?

Mr. CAPLES. Oh, yes. The fellows that are claimants up to now have got a wonderful bargain.

Senator LONG. That is because we steadily increased benefits, and in doing it, we have given those who have paid into the fund earlier the opportunity to participate in the increase in benefits.

Mr. CAPLES. Not only that, but they never paid enough into the fund to anywhere come close to the benefits they will receive.

Senator KERR. The reason is, so many of them are getting benefits for which they didn't pay anything.

Mr. CAPLES. That is correct. For instance, all of your people now drawing benefits you could say that is true of. And you could take people like myself, under the insurance feature of the law, with minor children, as I have, I have got a good bargain, because I am paying a relatively low rate for a high amount of insurance against my dying while my children are still minor.

Senator LONG. What is bad about that?

Mr. CAPLES. As I say, I as an individual, can't complain. But what I am talking about, there is a large group of people, of whom I am not one——

Senator KERR. In about 20 years those of us who bought the bargain are going to be gone, and the ones that will be still paying will be doing so on the basis that they not only won't have the bargain for themselves, but will have to pay for what they get plus what we get out of it in the way of a bargain.

Mr. CAPLES. They may complain about what we did, as a matter of fact.

Senator KERR. They may not want to do that.

Mr. CAPLES. It is my expectation that they may not want to do it.

Senator LONG. Insofar as you are speaking of a married man getting more out of it than a bachelor, as a married man with a family, I am on the side of the married man, that is my point of view. The bachelor could have married if he had wanted to.

Mr. CAPLES. I top you by one child, but it is an important thing for people with children.

To go on with the statement: The new bill, while substantially increasing immediate and future taxes would make no change in the current protection of this 50 million—except in the exceedingly rare case of individuals who may die leaving a totally disabled child under 18.

Thus it is important that the statutory council carefully study the extent, if any, to which retirement age reduction and coverage of

disability is required by the public purpose of OASI notwithstanding its additional tax burden on millions of individuals who would not, at least for many years, have any added protection.

Both the importance and difficulties of the statutory council's work are intensified by the repeated expansions of OASI during recent years.

By amendments in the years 1950, 1952, and 1954, and I won't speculate on the effect of those being election years—we have greatly expanded benefits, and in 2 of these years we have brought in many millions of new OASI taxpayers whose taxes are immediate but whose benefits are not. Despite that, however, we have necessarily imposed additional taxes both by increasing the schedule of future as well as present tax rates and by broadening the tax base.

To get some idea of what these amendments have done I checked the estimate of what we would spend in 1960 for benefits in two OASI trustee reports—the 1945 report and the 1955 report. The estimate for benefit expenditures in 1960 was some $1½ billion in the 1945 report, before these amendments were adopted. It was some $7⅓ billion in the 1955 report, after these amendments were adopted. The report to the pending bill estimates that the expenditures under it for 1960 would be some $8⅔ billion.

The 1955 trustees' report shows that aggregate OASI benefits expenditures from 1937 through last June were some $17 billion. The estimated benefits for this year and the ensuing 4 years under existing law are some $33½ billion—about twice the total benefit expenditures for the first 18 years of benefit payments. The estimate under the bill would be almost $38 billion in the 5-year period beginning this year.

From the beginning of the system in 1937 through last June, we had collected an aggregate of some $35⅔ billion in OASI taxes and the OASI trust fund on that date was about $21 billion—equal to slightly less than 60 percent of the total taxes.

Senator KERR. Wait a minute. You said we had collected $35 billion.

Mr. CAPLES. $35⅔ billion.

Senator KERR. And we paid out $17 billion?

Mr. CAPLES. That is correct.

Senator KERR. And we have got $21 billion left?

Mr. CAPLES. That is correct. It draws some interest, you see, at 3 percent, I think it is under the special bonds.

Senator LONG. Of course, at the time we pay that interest—people are talking about an actuarial system, and making it look like a private insurance company—that interest has got to come out of revenue.

Mr. CAPLES. Where else could it come from?

Senator KERR. Sure, the interest on the public debt is paid out of the general revenue fund of the Government, but the interest on this part of the public debt is paid out of the same funds as the interest on the rest of the public debt is paid, and if these bonds were owned by private people instead of being Government trust funds, the interest would be the same and the cost to the taxpayers would be the same.

Senator LONG. The interest would still come from general revenues, it wouldn't come from a different source.

Senator KERR. That is true. But that in no way effects either the justification for that income on this trust fund, nor does it in any way invalidate or jeopardize the integrity of this trust fund.

Senator LONG. The people who don't want to put this system on a pay-as-you-go basis and raise each year the amount of money necessary are overlooking the fact that the funds must come out of general revenues.

Mr. CAPLES. When the system matures there is no other way it can be, and I think that has been contemplated from the time of the original enactment of the law, as I understand it.

But our estimated expenditures for the next few years are only slightly below estimated taxes despite the sharp increase in the amount of these taxes. As presently scheduled, the estimated taxes for this in the next 4 years are some $36 billion—about the total collected from 1939 through last June. But our estimated expenditure will be some $33 billion or $34 billion—it could easily equal or exceed the taxes. The added benefits thus would require an immediate tax-rate increase.

Senator KERR. Could thus require instead of would?

Mr. CAPLES. The added benefits would require——

Mr. EICK. Could.

Mr. CAPLES. Could, then.

Senator KERR. You are making a very fine statement, and I just thought for the sake of accuracy we would change that.

Senator LONG. Here is a point that occurs to me. You say eventually this program will go on a pay-as-you-go basis—I assume that will be when we have collected $200 billion in payroll taxes over and above what is paid out. And that is a thing that never quite made sense to me. Here even during the depression years we were collecting and adding to this fund, and thus over a period of time in years when we were producing less than we produced in subsequent years, we succeeded in collecting—actually it is $25 billion more than we paid out, if you look at the interest part of it—does that quite make sense to you, that all during these years when we were producing less than we produced in subsequent years we collected so much, when we ought to have been paying substantially less than we paid back out?

Mr. CAPLES. The thing is, you had to get the system started some way, and this was a device that was used after we started it. But I don't think anyone contemplated at the beginning, or any other time—once you get a matured system where you have got your people all under old-age pension—which is what you ultimately want to do—the thought was, this would be a matter of right, you wouldn't have public assistance, and so on—when you get to that point, no matter what device you use, you have got to pay out of current taxes because there is no way in the world that the people who don't produce can pay.

Senator LONG. We are paying tremendous pensions in the Veterans' Administration, and we don't have any $200 billion trust fund set up there.

Senator KERR. You are paying there because of a public obligation.

Mr. CAPLES. It is immediate—the Veterans' people, where you passed a law saying that under certain circumstances the veterans will draw disability pension—the people who are injured that the immediate burden is on, the war ceases, and once it ceases you are pretty well

determined as to what the liability is going to be—it may increase, people may get worse, but your immediate burden is there, you don't have to reserve for it. It is the taxing authority of the United States you are depending upon to pay these people.

Senator LONG. The point I am thinking about, we have been going along with this system, we have paid out less than 50 percent of what we have collected, as far as the fund is concerned——

Mr. CAPLES. That is right.

Senator KERR. But you have got unliquidated liabilities, Senator, far in excess of what you have got——

Senator LONG. The point I am getting to is, it seems to me as though we would be just as well off to have accepted the burden, accepted the obligation in return for a person making the social-security contribution, and at that point assuring him that he would be entitled to draw a certain pension at a certain date, and work it out on a basis so that on a group-insurance system he would be able to anticipate what his benefits would be, and make it a firm commitment, a commitment that that is what he is entitled to draw in return for his payments. And in that regard we would have had much greater payments than we have had all during these years when we have had people struggling along trying to live on a $10 pension, all during that time we could have taken much better care of them rather than to try to create a $2 billion fund.

It just seems to me to be a scheme to pay off the national debt out of payroll taxes.

Mr. CAPLES. I agree with you. Had we faced the issue that people over 65 are entitled to so much—in other words, what you are doing is saying that at a certain age people are entitled to the pension if they leave the work force——

Senator KERR. Have you said that or have you said that in the event of what you paid forth—you said awhile ago that when you started you had to start somewhere, and in order to get universal coverage you had to get those over as well as under—it wasn't based on the principle that any were entitled to that as a matter of right when they get to 65 and they retire, it is based on the fact that they are entitled to that if they reach that age and they have paid for what they are going to receive.

Mr. CAPLES. That is not true of present recipients.

Senator KERR. I understand it is. And the only reason was that you wanted to establish one which would grow into that kind of situation, and the only way you could do that and cover those which were over the age and let them accumulate enough reserve to liquidate the payments they were going to receive was to make it applicable to everybody and create a liability which would contemplate retiring over the years ahead of you until they were out of the group of beneficiaries, by which time you contemplate that your funds will be actuarily sound and will have matured and will be on the basis of people getting back what they have paid.

Mr. CAPLES. Senator Long's question was, Could you have done it the other way?

Senator KERR. The question was, Why couldn't we?

Mr. CAPLES. I don't think it was expedient, to be frank about it.

Senator KERR. Certainly we could have done it, and we can do it now. His question was, Why didn't we do it? And I must say the

answer to the question to both is purely academic, as I see it, because the fact is that we didn't do it.

Mr. CAPLES. That is correct.

Senator KERR. And we are confronted with a reality, not a supposition.

Senator LONG. You are not proposing to do it that way now, and I don't suppose you are going to do it within the next year or so. I suppose you will, because what you have done since 1936, you have collected half of what you should have collected, and paid out twice as much as you should have paid, and either way it doesn't make much sense. Eventually we are going to stop this idea to try to retire the public debt with payroll taxes through the social-security system.

And suppose we do get a $200 billion trust fund stacked up there, and just suppose someday people say, "Well, now we have got this great fund stacked up here," and the people say that the Government can't pay off the national debt, then you lose your whole trust fund anyway.

Mr. CAPLES. I agree with you. I think it is inevitable that you get to a point where you are going to take out what is paid in—you are going to be on a pay-as-you-go basis.

Senator LONG. And if you have a $200 billion trust fund, the annual interest on the trust fund has got to come out of general taxes anyway.

Mr. CAPLES. Of course, this trust fund probably will not go very much from where it is now, because it seems from these figures fairly obvious that your outgo is going to increase, and it is going to be as much as your income, maybe greater.

Senator LONG. If you keep advancing these payroll taxes, it is going to grow.

Mr. CAPLES. Well, if you keep the benefits and the taxes—you really don't have any data on which to estimate what it is going to cost—when you get into something as unknown here as disability where there is no reliable data, there is no determination of what is disability under this bill, really, it is the wildest kind of gamble, you don't know what it is going to cost. And I don't think anyone can appear here and state it.

Senator KERR. I don't know of any estimate that in the next 15 or 20 years we are going to pay this much total.

Senator LONG. By the turn of the century you are supposed to have a $200 billion fund.

Senator KERR. I have seen no figures to indicate that.

Senator LONG. Look at Mrs. Hobby's testimony.

Mr. CAPLES. My guess is that that fund would not be much bigger than it is now. That would be my expectation.

To go on with the statement: Estimated expenditures for the next few years are only slightly below estimated taxes despite the sharp increase in the amount of these taxes. The pending bill would further substantially increase taxes. As presently scheduled, the estimated taxes for this and the next 4 years are some $36 billion—about the total collected from 1939 through last June. But our estimated expenditure will be some $33 or $34 billion—it could easily equal or exceed the taxes. The added benefits thus would require an immediate tax rate increase.

The Advisory Council will be faced with the fact that compared with matured obligations our OASI reserve is getting progressively smaller. The former Chief Actuary of the Social Security Agency, W. R. Williamson, states that a rather accurate rule of thumb estimate of the net cost of paying the benefits of persons on the rolls at any one time—cost of the total benefits to be paid discounted with interest—is to multiply the total monthly benefit disbursement by 100. Compared to this cost our reserve has moved from a substantial plus to a very large minus in the course of the last decade.

In 1945, monthly benefit expenditures were some $24 million, so that total cost of future benefits for persons then on the rolls was about 100 times this amount, or $2 4/10 billion. The OASI trust fund was $7 1/10 billion, so the bulk of it, some $4 7/10 billion, was available for persons who thereafter came on the rolls.

In 1950, the monthly benefit payments were approximately $127 million, so the cost of benefits to be paid persons on the rolls was some $12 7/10 billion. So it could be said that it still had about a billion dollars left over for persons who would thereafter come on the rolls. This was approximately $1 billion less than the OASI trust fund of that year.

June of 1955, the monthly amount of benefits was $384 million, so the net cost of paying benefits to persons then on the rolls was some $38 4/10 billion. But the trust fund was only slightly over $21 billion—requiring nearly $19 billion in future taxes to pay this group.

The 1960 estimates are for monthly expenditures of some $610 million. Thus net costs of future payments for persons then on the rolls will be some $61 billion—thirty-odd billion more than the estimated trust fund at that time. The estimated monthly expenditure in the report on the pending bill would be some $720 million per month in 1960. So costs for persons then on the rolls would be some $72 billion—forty-odd billion of which would have to come from taxes paid after 1960.

I should like to be clear that these figures are not given by way of criticism of OASI financing, for these are inevitable results of the only kind of OASI tax schedule that is feasible. Instead, these figures are called to your attention to illustrate the extent our OASI benefits commitments even for persons actually receiving benefits, must be liquidated by future taxes.

The present amount of accrued liability for benefits, in the ordinary insurance sense, I understand, is estimated at considerably more than our national debt—counting the present amount in the OASI trust fund as part of the national debt.

This accrued liability is, of course, an incident of our decision to pay benefits to the present aged in generous amounts related to their average wage and dependency situation rather than on the actuarial equivalent of their taxes—had the decision been to pay only what the taxes would buy, this would have meant pennies per month rather than dollars for the present aged.

It does mean, however, that more than future employer taxes will be required for carrying out the "social" part of OASI benefits, and that consequently as Mr. Altmeyer pointed out, future beneficiaries will not get their "money's worth" by way of individual protection.

This will be increasing true of young people in general, particularly the more successful, as their benefits are least in proportion to their average wages and their OASI taxes.

We cannot expect to better the bargain of younger workers by further expanding benefits. Under the original law, persons covered a lifetime were scheduled to receive $85 per month retirement—approximately the same per month as the scheduled maximum of $90 per yer in taxes. The benefit maximum is now $108.50, but the maximum scheduled taxes of self-employed is $252, more than twice the monthly benefit. Even if the individual has a wife, his monthly benefits are not nearly his annual social-security taxes.

We have established survivor benefits and scrapped the system's original money's worth or money back guaranty to OASI taxpayers. Dependent's protection is very valuable socially and also individually to those with eligible dependents.

These benefits are the main selling point of OASI to younger workers. But payments to widows and children, the one current protection of all workers of all ages with children, is considerably less than a sixth of total benefit payments. Over five-sixths to the aged.

The pending bill proposes additional expenditures for older persons greater than total widow and child benefits. Tables 5 and 6 in the report on the pending bill will show that benefits in 1960 to disabled past 50 and to women age 62 to 64 would be 0.65 percent of payroll, while benefits to surviving mothers and children would be 0.60 percent of payroll.

It is obviously of primary importance that the statutory council must carefully evaluate OASI and the proposed changes from the viewpoint of the fifty-odd-million regular or occasional contributors under 40 years of age.

To industry, the problem of the disabled and the handicapped is not a vague social problem. Nearly every employer at one time or another has come into personal contact with the serious problem of the handicapped and the disabled.

For years the National Association of Manufacturers has been in the forefront and has received Presidential awards for the results it has achieved in encouraging the employment of the handicapped. As far back as 1913–14, we advocated and worked for the enactment of State workmen's compensation laws. We have been active in the fields of health and safety, and were instrumental in the establishment of the National Safety Council.

In setting forth our opposition to precipitate action on the pending legislation, we want to make it perfectly clear that those who are permanently or totally disabled often do require assistance and that society has an obligation to assist those unfortunate people and their dependents.

As previously mentioned, many of our major companies in the past several years have included provisions for permanent and total disability in their pension and life insurance programs.

Both labor and management have worked toward a solution to this problem of disability, and it is one of the most difficult in human relations they have faced.

Traditionally, we are attempting to secure the solution for this phase of welfare at the source closest to the point of need and closest to those that bear the cost—at the local plant and community level.

Now industry at this stage certainly does not profess to have all the answers to this vexing problem of disability. It would, however, be in a position to offer its facilities and its limited findings to date to an Advsory Council of the Congress.

Would not such an arrangement which could help to produce data on the origin of present benefit levels, methods by which disability is determined, success of rehabilitation measures, and the sociological problems encountered together with the experience of State and community welfare agencies be of value for the Congress in determining to what degree, if at all, the solution to the disability problem should be found at the Federal level?

It is recognized that a frequently used device to delay pending legislation is the referral of the subject to a study committee even when the subject has been under study for years. On this basis, the proponents of the proposed legislation will label the suggestion for study by an Advisory Council as a trite repetition of previous recommendations and will charge that innumerable studies have already been made.

And we do not disagree that such studies have been made—we readily acknowledge this. We merely point out what these studies have revealed—that while the fund of significant information in the general field of old-age security is increasing, the publication of pertinent data is amazingly meager.

And I might also add that the only figures that are available come from the agency itself, and what other data are available and not published no one knows who is not in the agency itself.

The proposed statutory Advisory Council is the key provision of H. R. 7225. Such a Council would be in a position to initiate and maintain data presently not available to interested parties and the Congress.

This could be the means of obtaining data reflecting fresh viewpoints, reveal unknown sources of information leading toward the solution of many problems now faced and promote understanding and appreciation of the law which affects us in so many ways.

It is hoped that our recommendations added to the well-thought-out statement that have been presented to this committee by the various other witnesses have convincingly demonstrated the problems inherent in the proposals of H. R. 7225. And we thank you for this opportunity to present our views and recommendations.

Senator KERR. Thank you for your statement.

Mr. Gordon C. Nichols.

STATEMENT OF GORDON C. NICHOLS, COUNCIL OF STATE CHAMBERS OF COMMERCE

Mr. NICHOLS. Mr. Chairman and members of the committee, my name is Gordon C. Nichols. I am a corporate officer of Oglebay, Norton & Co., Cleveland, Ohio.

This statement is presented on behalf of the social security committee of the National Council of State Chambers of Commerce. It has been endorsed by 27 State and regional chambers of commerce in

24 States, and I have been authorized to speak for those State organizations as well. A list of the State and regional chambers having authorized this statement in principle is attached as appendix A.

(The appendix is as follows:)

APPENDIX A

The State and regional chamber of commerce organizations for which Mr. Nichols is testifying are:

Alabama State Chamber of Commerce
Arkansas Economic Council-State Chamber of Commerce
Colorado State Chamber of Commerce
Connecticut Chamber of Commerce, Inc.
Delaware State Chamber of Commerce
Georgia State Chamber of Commerce
Idaho State Chamber of Commerce
Illinois State Chamber of Commerce
Indiana State Chamber of Commerce
Kansas State Chamber of Commerce
Maine State Chamber of Commerce
Missouri State Chamber of Commerce
Montana Chamber of Commerce
New Jersey State Chamber of Commerce
Empire State Chamber of Commerce, Inc. (New York)
Ohio Chamber of Commerce
State of Oklahoma Chamber of Commerce
Pennsylvania State Chamber of Commerce
South Carolina State Chamber of Commerce
Greater South Dakota Association
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 Chamber of Commerce
Wisconsin State Chamber of Commerce

Mr. NICHOLS. For your information, the Council of State Chambers of Commerce is an association of 30 independent State and regional chambers of commerce in 27 States. Its purpose is to provide a vehicle for the exchange of information and the coordination of action on the part of the constituent organizations. The council as such does not purport to have blanket authority to speak on behalf of the individual State chambers. Rather it works through certain standing committees and by vote of authorized representatives of the State organizations makes recommendations on subjects of common interest. Each State chamber reserves the right to act independently upon these recommendations.

In the field of social security, the council has for a number of years had a standing committee, the membership of which has been made up of businessmen who are members of the social-security committees of a number of the member state organizations, State chamber staff men who have responsibility for the social-security activities of their organizations, and other businessmen who, through long association with social-security problems, have come to be recognized as leaders in the field.

I am appearing in opposition to the major proposals contained in H. R. 7225 with the exception of the provision for extended coverage, which we wish to endorse. We are concerned primarily, however, with two provisions of this bill: The proposed reduction in the quali-

fying age for women, and the proposal to pay benefits to those aged 50 or more who are permanently and totally disabled. The proposed tax rate increase, of course, will be unnecessary if the other provisions of H. R. 7225 to which we object are not enacted.

First, I would like to discuss the proopsed reduction in the eligibility age for women.

It has been stated that wives are generally a few years younger than their husbands. As a result, it is argued that men are being forced to defer their retirement until their wives reach age 65 and become eligible for a wife's old-age benefit. In order to avoid this assumed situation, it is concluded that the eligibility age for wives must be reduced to 62.

The most recent and authoritative study available which bears on this line of argument was made by Mr. Robert J. Myers, Chief Actuary for the Social Security Administration. His analysis, reported in the December issue of the Social Security Bulletin, indicates that on the average the wives of men who are 65 or older are indeed a few years younger than their husbands. However, this study also shows that "only 2 percent of all workers who retired apparently had deferred their retirement until the wife reached 65. For the remaining 98 percent of the cases the receipt of benefits by the wife had no effect." Mr. Myers' study appears to demolish this argument for lowering the eligibility age for wives.

With regard to providing an earlier retirement age for women workers, we believe it is important to note that the trend is for individuals to continue in employment as long as possible. In industrial pension plans, for example, there is a growing tendency toward setting a later, rather than an earlier, retirement age for both women and men. Another indication of this fact is that female workers, on the average, do not begin to receive OASI retirement benefits until 67½ years of age, and male workers not until age 68. Perhaps equally significant is the fact that in recent years only about two-thirds of the insured persons in the ages 65 to 74 who have qualified or who could qualify for old-age benefits actually have been drawing them. At least in part, this trend stems from a growing recognition that most individuals can lead, and desire to lead, mentally and physically active and productive lives longer than was generally believed possible in the past.

Today the medical profession, sociologists and specialists in geriatrics are agreed that continued activity in productive work, where physically possible, is in the best interests of the individual and society. Indeed, as you know, the Federal Government and many State governments are now supporting programs to encourage the employment of older workers. We believe that Congress should consider very carefully the social and economic implications of any reversal in this current thinking.

Almost certainly any change would have a direct impact on private pension plans. Most such plans, on which millions of workers now depend for additional old-age security, are integrated with OASI and provide retirement for female employees at age 65. If a lower retirement age for women is established under OASI, it can scarcely avoid being reflected in these private retirement plans. This possibility cannot be lightly dismissed, particularly by employers who are committed to long-term plans involving billions of dollars and the

future security of their employees. Equally important is the fact that uncertainty about a factor as vital as the OASI retirement age is a deterrent to the establishment of new industrial pension plans.

In addition to the added cost of providing private pensions at age 62 to women employees, an even more disturbing problem must be faced should this proposal be adopted. Age 65 has been accepted almost universally as a logical starting point for the payment of OASI retirement benefits. If this pattern is broken by establishing a lower retirement age for women, we believe that change would encourage unsound demands for even further reduction in the OASI age limit. To the best of our knowledge, no valid rationale has been advanced for the selection of 62 as the age at which women should be able to collect OASI benefits. Consequently, we wonder whether any age under 65 (or even under 62, if H. R. 7225 should be enacted) could not be advanced equally well as the "correct" eligibility age? Furthermore, if the eligibility age for women is reduced is it not inevitable that efforts would be made to secure a similar reduction in the eligibility age for men? Certainly, in a social-insurance program which purports to pay benefits as a matter of right we can find little justification for discriminating between the sexes. Since a number of bills have been introduced in both the Senate and the House of Representatives proposing an eligibiltiy age of 60, such fears do not appear to be entirely groundless.

Further, we feel that a reduction in the retirement age would be detrimental to the economy of this Nation. The country would be deprived of the skilled and dependable productivity of those older workers who, voluntarily or otherwise, left the labor market. This loss in productivity would have to be assumed by those remaining in the work force. In view of the rapidly increasing percentage of our population in the over-age 65 category, any voluntary reduction in the productive work force would seem to be most unwise.

A more direct and measurable burden that would be borne by practically every person in this country is the additional cost of the OASI benefits themselves. The published estimates show that the proposed reduction in the eligibility age for women would cause an immediate rise in benefit expenditures of almost one-half a billion dollars a year. By 1970, only 15 years in the future, the cost of these additional benefits would be in excess of $1 billion annually. On a level premium basis this would require an additional tax of well over one-half percent of payrolls. It will be recalled that this committee in the past rejected similar proposals as being too costly. Due to liberalizations in the benefit formula and in benefit amounts that have been enacted since then, the amendment advanced in H. R. 7225 would be even more costly than those previously rejected.

The second provision of H. R. 7225 which I would like to discuss is the proposal to pay benefits to individuals 50 years of age or older who are permanently and totally disabled.

Our first concern with this proposed change is the lack of valid information and statistical data about such long-term disabilities. What is the actual incidence of permanent and total disability? What is the average duration of such disablements? What are the causes? What are the possibilities of rehabilitation?

At present there are no satisfactory answers to these questions. Virtually the only available data is that accumulated by the insurance

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companies based on their experience with permanent and total disability benefits during the 1930's and 1940's. These data are based only on experience with a highly select group, a group which normally could be expected to show a low rate of disablement. Unfortunately, therefore, it fails to provide any real basis for evaluating the effect of a disability benefit program designed for everyone covered under OASI.

In view of this relative dearth of actuarial data, there is considerable doubt about the accuracy of the cost estimates which have been applied to the disability benefit provision. Indeed, in the House of Representatives Report No. 1189, designed to accompany H. R. 7225, the committee majority indicated its own doubts about the estimated cost of this provision. We cannot help but question the wisdom of initiating a proposal when the proponents themselves suggest that costs may have been understated.

This is a matter of some importance as the projected level of tax rates required to finance the OASI program proposed in H. R. 7225 are so high as to have raised serious questions about their impact on the future of the program and on the economy.

Furthermore, we wonder on what grounds Congress would justify the payment of permanent and total disability benefits to a person aged 50 while continuing to deny such benefits to a person with the same work record but who was less than 50. Would not the inevitable result of enacting this provision be the payment of permanent and total disability benefits regardless of age? As a matter of fact, we have noted that legislation has already been introduced which would provide such benefits for any person who can meet certain minimum coverage requirements.

In 1954 the Social Security Act was amended to allow the freezing of old-age and survivor benefit rights for individuals who became permanently and totally disabled. Although a year and a half has elapsed since this amendment was enacted, State and Federal officials in some instances have not yet reached complete agreement on the administrative procedures and proper controls required for the successful operation of this provision of the law. Certainly the medical, the administrative, and the control difficulties inherent in a program providing for the immediate payment of cash disability benefits are far more serious than those involved in a mere freezing of rights to a benefit due at some distant future date.

If for no other reason, we believe it would be a mistake to become engaged in paying disability benefits as a matter of right without first having the advantage of successful operating experience with the comparatively more simple problems of the freeze provision.

We also wonder whether sufficient consideration has yet been given to the impact of paying cash disability benefit on the rehabilitation of individuals. The primary objective of any social program for the disabled should be rehabilitation and the return of the individual to productive work. Any cash payments should be designed to promote rather than retard the attainment of physical and economic rehabilitation. A monthly income that accrues as a matter of right, and that is indicative of a hopeless condition, may well prove to be a serious obstacle to successful rehabilitation. There is a question in our minds whether experience in State workmen's compensation systems has not shown that unlimited duration of benefit payments is a deterrent to

rehabilitation. In this connection, would it not be more advisable to expand and improve the existing State and Federal rehabilitation programs? It would be unfortunate, in our opinion, if the possibilities and advantages of rehabilitating those who are disabled were not fully explored before emphasizing an alternate approach.

There is, of course, no question about the fact that a cash income must be provided those permanently and totally disabled individuals who are without other sources of income. However, title XIV of the present Social Security Act now provides assistance payments for this purpose. We believe this is the proper approach to this social problem. In our opinion, the problems of those permanently and totally disabled are particularly suited to state and local solution. An individual case study is virtually a necessity when permanent total disability occurs.

The need of individuals in such instances is subject to wide variation, not only with respect to their basic economic requirement, but also in the medical and psychological aid needed. We believe such problems can be resolved properly only by using an individual case approach as the requirements of each case can be better established by local case workers who can become completely familiar with the individual's problems, abilities, and needs. When need is not solely or largely financial, a benefit program is less adaptable to the requirements of the individuals involved.

In concluding this presentation, I would like to emphasize two points. First, we are concerned with the merit of the existing proposals for lowering the eligibility age for women, and the payment of disability benefits. Second, we are deeply concerned because these provisions carry within them the seeds from which will spring demands for additional liberalizations involving further costs. We respectfully request that this committee consider not only the direct impact of these provisions of H. R. 7225, but also the implications they hold within them for the future.

Thank you.

Senator KERR. Thank you, Mr. Nichols.

Mr. Paul Badger.

STATEMENT OF PAUL L. BADGER, NATIONAL CHIROPRACTIC ASSOCIATION, WASHINGTON, D. C.

Mr. BADGER. Mr. Chairman, while I have a comparatively brief statement, I am very conscious of the fact that it is still probably too long under the circumstances.

Senator KERR. I must say to you that it is not so as far as I am concerned.

Mr. BADGER. I appreciate very much your patience and that of Senator Bennett in staying this long and hearing us all out.

My name is Paul L. Badger. I am a practicing attorney, with offices at 501 Perpetual Building, Washington, D. C.

Senator KERR. I want to say this: It is a development of some significance that a practicing attorney would come before us with a statement of comparative brevity in relationship to those of the others not of the profession. Being of the profession, I had always accepted as more or less a matter of course the evidence and the feeling on the part

of the people that nobody could take longer to say any given thing than a practicing attorney.

And in view of the fact that you give us as an example of the contrary viewpoint, I must say that I appreciate it.

Mr. BADGER. I suppose I made the mistake——

Senator BENNETT. Mr. Chairman, may I interrupt to identify Mr. Badger as the administrative assistant of my predecessor. He probably has sat through a good many long Senate hearings and learned the opposite lesson in the process.

Mr. BADGER. Thank you.

Senator KERR. I want to say that that was not calculated to appear critical, because I think we have had some very fine and worthy and valuable statements this morning.

All right, Mr. Badger.

Mr. BADGER. I appear before you today as an official spokesman for the National Chiropractic Association, with headquarters located in the National Building, Webster City, Iowa.

The National Chiropractic Association was established to serve the professional interests of doctors of chiropractic, to promote the science and art of chiropractic and the betterment of public health. According to a recent survey, there are today approximately 22,000 chiropractors practicing in the United States. Approximately 8,000 of this number, or 36 percent, are members of the National Chiropractic Association.

Chiropractic is the second largest branch of the healing arts. The National Chiropractic Association is vitally interested in any issue affecting the welfare of its members or the interests of the profession as a whole. We are particularly interested in those provisions of H. R. 7225 which would extend the coverage of the Social Security Act to certain professional groups, including chiropractors, who are presently excluded. We understand that medical doctors comprise the only professional group which would continue to be excepted from coverage under the proposed amendments.

One of the most interesting aspects of this hearing has been the development of the striking change which has occurred in the attitude of some of the self-employed professional groups during the past few years toward extended social-security coverage.

When the social security system was established, the vast majority of professional people, if we can believe their spokesmen, were unalterably opposed to coverage in any form. Earlier decisions to exclude the self-employed were based partly on this opposition and partly on the expectation that there would be administrative difficulties in collecting contributions and obtaining wage reports for these groups. After nearly 20 years of experience, however, we know that these latter difficulties seem far less formidable today than they did when the social security system was new and its administrative organization was undeveloped and untried. Equally evident is the fact that hard-core opposition to the extension of coverage to professional groups has gradually dissipated during the past decade, and in recent months has largely disappeared in important instances.

This trend was charted by Dr. Emmett J. Murphy, of Washington, D. C., who is director of public relations for the National Chiropractic Association, in an interesting article which appeared in the NCA

Journal for July 1955, and entitled: "How Social Security Coverage Would affect the Chiropractic Profession."

Dr. Murphy has pointed out the fact that the major professional groups, the doctors, the lawyers, and the dentists, all originally occupied a strongly defended frontline position of outright opposition to social security coverage in any form. However, as our experience under the act has accumulated, and coverage has been extended in an ever-widening circle to include other self-employed groups, some of the professional associations under the pressure of growing acceptance upon the part of their own membership, have found it necessary to make a strategic retreat to another prepared position, consisting this time of qualified acceptance on a voluntary basis.

Although the American Medical Association and the American Dental Association apparently have not changed the official stand they took in opposition to compulsory coverage at the time the 1954 amendments to the act were considered, there is increasing evidence that they are experiencing the same ground swell of sentiment in favor of social security protection which led to the recent shift of policy by the American Bar Association.

For example, an editorial which apeared last year in Medical Economics, one of the most widely read medical journals, pointed out that in 1952, almost half (45 percent) of 8,000 surveyed physicians said they wanted social security, while only 2 years later, in 1954, another survey indicated that more than half (54 percent) wanted social security. In noting this trend, the editorial went on to suggest that—

> the AMA might well stand beside the American Bar Association in fighting for voluntary social security. With this shift of emphasis, optional coverage might become a reality. Without it, compulsory coverage could be fastened on us despite our protests.

It is now, of course, quite evident that any such hope of some elements of the medical profession of making a common stand with the bar association for coverage under the act only upon a voluntary basis proved to be a rather fleeting one, since the bar association paused at this way station only very briefly. For although the ABA had testified in 1954 that "there is no sound reason for compulsory coverage of a group against their expressed wishes," its board of governors shortly thereafter recommended that the association favor voluntary coverage under the Social Security Act for lawyers.

And now, within the past week or 2, as you know, we have seen the culmination of this trend in ABA policy in its report to this committee that a current poll of its membership is running heavily in favor of compulsory coverage, if coverage cannot be obtained on an optional basis. In this connection, I was happy to note that our own bar association here in the District of Columbia unanimously endorsed compulsory coverage for lawyers.

There is every reason to believe that a similar cycle of sentiment on this subject is running in other professional organizations. In introducing a bill last year to extend compulsory coverage to members of the dental profession, Senator Styles Bridges claimed that in some States rank-and-file dental sentiment ran 8 to 1 in favor of extended coverage.

And I believe that Senator Bridges' comment is certainly borne out by the recent testimony before the Congress of Dentists on OASI.

I have alluded here to the position taken on this issue by the professional groups mentioned above for several reasons. First, to emphasize by contrast the fact that the National Chiropractic Association heretofore has never taken an official position, either for or against, relative to the extension of social-security coverage to its membership. I am further informed that the NCA has never sought to influence the sentiment of its membership on this issue.

Second, by analogy, I believe that there has occurred the same shift of opinion and trend of acceptance among the NCA membership that has been so evident among other self-employed professional groups. This is evidenced by a comparison of prevailing sentiment today with the results of a poll of some 4,600 NCA members on the social-security issue announced less than a year ago.

Of the replies received, 1,895 voted in favor of social security on a voluntary basis; 581 voted in favor of social security on a compulsory basis; 415 voted against social security (but on a voluntary basis if available at all) and 61 voted against social security.

Third, I am authorized to report to you that the prevailing sentiment today of the National Chiropractic Association is similar to that expressed by the American Bar Association—i. e., if coverage on an optional basis not available, a large majority of NCA's membership are in favor of compulsory social-security coverage as contemplated by H. R. 7225.

The National Chiropractic Association has always defended the traditional freedom of choice which is so cherished by all Americans. If given all the facts, we believe that the majority of the American people will always make the right choice. Under the present circumstances, however, we believe that the members of all the self-employed professional groups should be frankly informed that they are not confronted with a choice between voluntary coverage and compulsory coverage under the Social Security Act. The only choice available—and it seems to me this is the important point—and the only choice which the Congress will ever be in a position to equitably offer to those segments of our population who are presently not covered by the act, is the choice between compulsory coverage and no coverage at all.

This is true, as everyone who has made a study of this subject knows, and as pointed out by the study of the Advisory Council on Social Security in its report to this committee in 1949, because voluntary participation by any substantial group of persons would have serious effects upon the program's solvency, and financial integrity. For, as the report so succinctly states:

> 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. We see no justification whatever in offering insurance protection at extreme bargain rates to a select group, consisting primarily of those who recognize the opportunity for a bargain and are well able to take advantage of it, and in requiring the covered groups as a whole to bear the cost of the difference between what the select group pays and what it receives.

Mr. Chairman, I believe that the members of the chiropractic profession recognize the logic and the truth of this statement, and I am confident that if it could be made equally evident to all of the members of the other groups similarly affected by the extended coverage provisions of H. R. 7225, they would join with us in urging the favorable action of the Senate on this legislation.

I thank you, in behalf of the National Chiropractic Association, for your courtesy in permitting me to present this statement for your consideration.

Senator KERR. Thank you, Mr. Badger.

And I must say that I think you have given us an accurate picture of the situation.

Senator BENNETT. Just for the record, when you say at the end of your statement, Mr. Badger, that you join other groups in urging favorable action by the Senate on this legislation, you are limiting your testimony only to the extent of coverage?

Mr. BADGER. I am glad you made that comment, Senator. That is certainly true. That is the only question, that of extended coverage, that we have directed our statement toward.

Senator KERR. The committee will recess until 10 o'clock tomorrow.

(By direction of the chairman, the following is made a part of the record:)

STATEMENT OF MISSOURI STATE CHAMBER OF COMMERCE

Missouri chamber policy on lowering age requirement and disability provisions

The following policy statement was approved by the Missouri State chamber board of directors representing the chamber's statewide membership on January 20, 1956, upon recommendation of the chamber's social legislation council which is composed largely of men who handle social security and retirement matters for their respective companies:

> The Missouri State Chamber of Commerce believes that the following proposed amendments to the Social Security Act are not in the interest of the worker, the employer, the aged, or the economy:
>
> (1) *Lowering the age at which any group can qualify for old age benefits.*—It is not in the public interest to induce workers to quit earlier in life. In fact, as the life span increases older persons should be encouraged to continue in employment, at lighter work than previously, if necessary. The result will be to make the older persons more contented and the economy will benefit from their employment.
>
> (2) *Permanent or temporary national disability benefits in any form.*—The disability problem can best be handled by private enterprise and State and local governments rather than by the National Government.

How the bill would affect Missouri and Missourians

The Missouri State chamber of course is especially concerned about how this bill would affect the State and the people of Missouri.

First, it should be noted that Missouri, under the present aid to permanently and totally disabled program, is making average payments almost as large as the Federal old-age benefits paid to Missourians. According to the September 1955 Social Security Bulletin, published by the United States Department of Health, Education, and Welfare, the average Missouri payment to recipients of aid to permanently and totally disabled as of June 1955 was $51.91 whereas the latest figure reported for the average Federal old-age benefit paid to Missourians was $56.62 as of December 31, 1954. Also, experience with the Missouri General Assembly indicates that public assistance benefits are likely to be increased next year.

The Missouri and other State legislatures are in a better position to determine the needs of their aged people and their disability better than those who must spend most of their time in Washington. Then, too, the financial condition of the Missouri State government is much better than that of the Federal Government.

The proposed amendment which gives State officials the difficult job of determining disability would permit some shifting of State public assistance disability costs to the Federal social security fund. However, this would certainly lead to a demand for greater Federal control, which would not be in the interest of Missouri or the other States.

Continued reliance on private enterprise, State assistance programs, and rehabilitation is best

The need for economic assistance as a result of aging and disability should be met to the full extent possible by private insurance, both individual and group.

To the extent that private insurance cannot meet these needs, the gaps should be filled by private charity and State public assistance. Continued reliance on State assistance programs is less likely than social insurance to create a feeling on the part of the recipient that it is permanent as a matter of right, and hence is less likely to discourage rehabilitation.

The best answer for the aged and the economy is continued employment at suitable jobs. Surveys indicate that this is what most aged persons prefer.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION,
Beverly Hills, Calif., January 23, 1956.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: At a regular meeting of the legislative affairs committee of this association, held last Wednesday, January 18, a report on proposed Social Security Act amendments affecting old-age and survivors insurance (OASI) was presented for discussion and action by a subcommittee on personal security.

The unanimous opinion of the members of this committee indicated that certain changes proposed in H. R. 7225 (Cooper bill) are not only quite broad in scope, but appear by their implications to differ radically from what members of the Beverly Hills Chamber of Commerce legislative affairs committee believe to be sound basic policies with respect to social security.

The attached report includes a brief description of each change proposed under H. R. 7225, the probable results and effect of such change, and, finally, this committee's recommendations with respect to all changes proposed in the bill.

We respectfully request an answer from you personally as a member of the Senate Finance Committee before whom, we understand, hearings on H. R. 7225, Social Security Amendments of 1955, began on Monday, January 23, 1956.

The executive committee of this association wishes to emphasize the statement contained on page 5, paragraph 2, of the attached report: "We feel that the social-security program is rapidly snowballing into a gigantic giveaway without due regard to the future economic impact of millions of people receiving billions of dollars derived by continual increases in taxes. We are opposed to the major amendments of the Cooper bill—decreasing the age limit for women—extended disability benefit—increase in the tax rate. We are in favor of increasing the coverage to include as much of the population as practical. We are in favor of the disability benefits for children beyond the age of 18. We are in favor of the Jenkins bill to make annual returns instead of quarterly because we feel this will somewhat alleviate the pressure of Government bookkeeping now done by private enterprise. Finally, this committee heartily recommends that a fresh, statesmanlike approach to the whole social-security problem be undertaken before any further changes are adopted."

Respectfully yours,

J. B. EDWARDS, *Secretary-Manager.*

CHANGE

I. *Payments of benefits to women commencing at age 62 instead of present age 65.*—Includes women workers, wives of workers, widows of workers, and mothers of deceased workers.

RESULT OF CHANGE

1. During first year $400 million in benefits would be paid to additional 800,000 women.
2. During first year another 400,000 women who are working could receive benefits when they or their husbands retire.
3. After 25 years 1,800,000 additional women would be receiving $1,300 million per year.
4. Reduction in qualifying age would add $15 billion in the value of survivor protection of insured workers in the next year.

5. Reduction of age would aid: (*a*) 400,000 wives of retired workers; (*b*) 175,000 widows and mothers of deceased workers; (*c*) 650,000 workingwomen.

COMMENT

1. Adds overwhelming amount in face value to survivor protection.
2. Benefits only 3 out of 10 couples where husband is retired (survey report of Chief Actuary of Social Security Administration).
3. Would upset private industrial pension plans which are geared to retirement age 65.
4. Private industry would probably reduce retirement age to 62 for all, which would be detrimental to the hiring of older people.
5. Reduction in age not consistent with lengthened life span. (Women, on the average, live longer than men.)
6. Reduction of retirement age would have no significance in alleviating the problem of women widowed at 45, 50, or later.
7. Opens the door for further reduction in retirement age for all, thereby increasing the financial burden of benefits payable.
8. In 1949 House committee rejected age reduction as too costly.

CHANGE

II. *Extended disability benefit.*—Provide monthly cash payment (after 6 months waiting period) for all persons 50 or over who are unable to work because of physical or mental impairment of "continued and indefinite duration."

RESULT

1. During first year 250,000 workers would receive $200 million.
2. After 25 years 1 million disabled workers would be receiving $860 million per year.

COMMENT

1. Would possibly interfere with rehabilitation program.
2. Overlaps benefits of workmen's compensation, unemployment insurance, temporary disability programs of some States, and to private disability and voluntary health-insurance programs.
3. Would be a long step toward "cash benefits for temporary disability" and be somewhat of a piecemeal step to socialized medicine and a compulsory health-insurance plan which would have to be instituted to pay for the increased benefits. (Rejected by the Senate in 1949 as too costly.)

CHANGE

III. *Extension of coverage.*—To include all lawyers, dentists, osteopaths, chiropractors, veterinarians, naturopaths, and optometrists, certain farm owners who receive income under share-farming agreements, employees of Government, turpentine and gum naval stores production, employees of TVA and Federal home loan banks.

RESULT

1. Provide OASI to approximately 233,000 persons mainly self-employed professional persons (except physicians). This is an addition to contributing members of the Armed Forces covered in a House bill which passed last July 13, and which was requested by the President.

COMMENT

1. Coverage should be extended to include as much of the population as practical. (At present 9 out of 10 individuals are covered.)

CHANGE

IV. *Children's disability benefits.*—To continue benefits for permanently and totally disabled children and their mothers beyond the age of 18.

RESULT

1. 1,000 disabled children over 18 would became eligible for immediate benefits.

2. 500 children reaching 18 would be added each year.
3. Eventually 5,000 children and their mothers would receive $2 million to $3 million a year.

COMMENT

1. Would aid those unable to be gainfully employed.
2. Cost is relatively small.

CHANGE

V. Raise the tax rate on worker and employer (up to $4,200 per year) by one-half percent in 1956, 1960, 1965, 1970, and 1975 when rate is supposed to level off at 4½ percent for each. Tax for self-employed will rise to 3¾ percent in 1956, 4½ percent in 1960, 5½ percent in 1965, 6 percent in 1970, and level off at 6¾ percent in 1975.

RESULT

1. Increase collections to $6,400 million the first year.

Trend of social-security taxes (percent of wages up to $4,200 per year)

Year	Present law			Cooper bill		
	Employer	Worker	Self-employed	Employer	Worker	Self-employed
1955	2	2	3	2	2	3
1956–59	2	2	3	2½	2½	3¾
1960–64	2½	2½	3¾	3	3	4½
1965–69	3	3	4½	3½	3½	5½
1970–74	3½	3½	5¼	4	4	6
1975 and after	4	4	6	4½	4½	6¾

COMMENT

1. Would reduce consumer buying power.
2. In some cases would actually exceed income tax.
3. Doubtful that this raise would be the end as present social-security taxes do not yet cover the ever-increasing contingent and partially accrued liability.

SUMMATION

A study of the social security picture reveals that increase in benefits have been accomplished in every congressional election year since 1949. Every change has been politically attractive. It is readily apparent that social security has departed from the once-sensible scheme of basis help for the aged and needy to the point of becoming a political football with both sides passing. Little more than token opposition has been stirred up over the previous changes because nobody likes to take potshots at Santa Claus. However, the program, under the repeated ministrations of Congress, is expanding so fast it is rapidly approaching a point where it will become a heavy burden on the taxpayer. In mid-1950, some 2.9 million citizens were receiving an average benefit of $21 per month from OASI. By June of 1954 this list had grown to nearly 6.5 million, an increase of 125 percent, and payments had jumped to an average of over $50 per month, an increase of 250 percent. There is at present a surplus of some $22 billion, but the current and future obligations far exceed the surplus.

RECOMMENDATIONS

We feel that the social-security program is rapidly snowballing into a gigantic giveaway without due regard to the future economic impact of millions of people receiving billions of dollars derived by continual increases in taxes. We are opposed to the major amendments of the Cooper bill—decreasing the age limit for women, extended disability benefit, increase in the tax rate. We are in favor of increasing the coverage to include as much of the population as practical. We are in favor of the disability benefits for children beyond the age of 18. We are in favor of the Jenkins bill to make annual returns instead of quarterly because we feel this will somewhat alleviate the pressure of Government bookkeeping now

done by private enterprise. Finally, this committee heartily recommends that a fresh, statesmanlike approach to the whole social-security problem to be undertaken before any further changes are adopted. In support of this recommendation we submit a statement of seven of the members of the House Ways and Means Committee who submitted their views as part of the report of the Ways and Means Committee to the House:

"We do not believe that our committee has discharged its obligation to either the Congress or to the American people by its brief and closed-door consideration of this vital legislation. We have sought to point out the grave social and economic implications of the bill. We have dwelt at some length upon the staggering ultimate costs of this developing program because we do not believe that either the Congress or the public has any conception of its magnitude.

"It is our earnest hope that the questions we have raised will lead thoughtful citizens everywhere to search for the answers. The social security system was created to give our people confidence and faith in their future. It should be above politics."

We are of the opinion that these changes would further involve the Government in competition with private enterprise and set a precedent for gradually increased benefits which would eventually have all wage earners looking to the Government for all health and welfare benefits and all security thereby eliminating the primary concept of "industry and thrift for security."

Your subcommittee on personal security acknowledges its indebtedness and expresses its thanks and appreciation to Committee Member Marvin H. Newman who conducted the research on this project and who prepared this report.

LOS ANGELES CHAMBER OF COMMERCE,
Los Angeles, Calif., July 20, 1955.

HON. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR BYRD: The Los Angeles Chamber of Commerce has consistently withheld endorsement of the social-security system and has, in the past, opposed broadened coverage, liberalized benefits, and a widened tax base. We are deeply concerned over fundamental defects of the system and the philosophy on which it rests.

It is our opinion that the responsibility for providing for future personal needs rests primarily with the individual. This concept must be constantly fostered if the individual is not to become more dependent upon the Federal Government to solve all his problems—a trend which we believe could lead to the destruction of our tradition of individual initiative.

In addition, the entire social-security structure is based on unrealistic financial concepts. Major defects of the system are summarized as follows: OASI is not an insurance program; there is no real reserve fund and no program for protecting future excess income; benefits and contributions are badly out of balance; and future costs are sure to rise sharply.

With respect to the House-passed proposals under consideration which would broaden coverage, lower the benefit age for women and add coverage for permanently and totally disabled workers, we wish to point out our belief that broadened coverage and heavier benefit commitments are dangerous and could well be disastrous to the system. Lowering the benefit age for women could result in unanticipated cost increases and, therefore, less adequate benefits for those in need. While we are sympathetic with the plight of disabled persons, we believe it would be wrong to divert to this purpose social-security tax revenues and trust funds which have been collected for and previously committed to old-age benefits.

These changes would compel Congress to increase taxes on the productive workers and employers in order to protect the benefits now being paid to some 7 million individuals, as well as the many millions who look forward hopefully to receiving social-security benefits in their old age.

We believe sincerely that coverage and benefits should not be further liberalized until the commitments and implications involved are fully understood by all. We respectfully urge your opposition to these broadening amendments.

Sincerely yours,

CARL P. MILLER, *President.*

STATEMENT OF THE NATIONAL COAL ASSOCIATION

The National Coal Association is the trade organization of bituminous coal mine owners and operators, representing in its membership the producers of more than two-thirds of the Nation's commercial bituminous coal.

The association believes that the amendments to the Social Security Act proposed in H. R. 7225 would impose on the economy a burden out of proportion to the benefits which would be derived therefrom. For this reason, we urge the rejection of H. R. 7225.

The principal cost item contained in H. R. 7225 is the reduction of the benefit age for women from 65 to 62. The coal industry does not employ women in its production forces, and the number of women employed in office work in the coal industry is therefore a relatively small percentage of the total number of employees. Consequently, the employees of the coal industry would receive comparatively small benefit from the proposed amendment—limited primarily to earlier benefits for widows and dependent wives. Nevertheless, the cost of the proposed amendment would fall more heavily upon the coal industry than it would upon many of the industries whose employees would receive proportionately higher benefits.

This cost impact arises out of the fact that the coal industry is a high-labor-cost industry. More than 60 percent of the sales dollar represents a direct labor cost in the coal industry, and this is far in excess of the amount of labor cost which exists in the case of coal's principal competitors, oil and natural gas. As a result, increased payroll taxes fall more heavily upon the coal industry and its employees than upon the competitors of the coal industry.

Numerous witnesses have already testified before this committee that a reduction in the benefit age of women is not warranted, for a number of reasons, including the established fact that women as a class have a longer life expectancy than men. It has also been pointed out to this committee that the accrued liability under the social-security program already represents a future burden so large that it may well be too great for the economy to bear.

We wish to point out that a reduction in the benefit age for women would cause considerable pressure for a corresponding reduction in private pension plans. Eventual capitulation to that pressure would necessarily mean that the national economy would have to bear the additional cost in private pension plans as well as the large cost represented in the social security program itself.

H. R. 7225 would also provide disability benefits at age 50, which appears to be a worthwhile proposal. However, the bill fails to provide adequate machinery for the determination of disability. The probable consequences of this failure have been set forth in considerable detail by previous witnesses. We wish to suggest that the economy may be able to provide disability benefits on a limited scale for the permanently disabled, but we believe that this can be done only if such benefits are coupled with a needs test in order to reduce the overall cost. A needs test may be inconsistent with a fallacious assertion that social security is insurance bought and paid for, but it would not be inconsistent with the true facts—the social-security program is not insurance bought and paid for, but an accumulation of future liability far in excess of current income.

In the past we have pointed out to Congress that a heavy direct payroll tax tends to reduce employment where a high-labor-cost industry is in competition with a low-labor-cost industry. It appears that the direct payroll tax on the employee is necessary in connection with the social-security program because it represents a check upon demands for benefits in excess of the ability to pay—at least, it will represent such a check when the scheduled tax increases approach more nearly the accrual of future liability.

However, we believe that Congress should give serious consideration to possible methods of alleviating the impact of heavy direct payroll taxes upon high-labor-cost industries. Where labor cost in a given industry is substantially above the average labor cost for industries generally, a formula can be devised which would reduce the employer contributions in the high-labor-cost industry to a point near the general average of employer contributions based on sales volume. Such a provision would reduce the competitive inequity against high-employment industries caused by the ever-increasing burden of direct payroll taxes.

BRICE O'BRIEN,
Assistant Counsel.

WINSTON-SALEM CHAMBER OF COMMERCE, INC.,
Winston-Salem, N. C., February 21, 1956.

Hon. SAMUEL J. ERVIN, Jr.,
Senate Office Building, Washington, D. C.

DEAR SENATOR ERVIN: The board of directors of the Winston-Salem Chamber of Commerce upon suggestion of the chamber's governmental affairs committee recommends that no further extension of social security be made until a bipartisan committee has studied the implications of each of the proposals.

The board of directors has taken no position on the broadening of the program to cover additional people. However, they are concerned with the extensions providing lowering of age requirements for women, the lowering of age requirements for the disabled, and the provision for the dependent disability cases. Their concern is based on the thought that the costs of these extensions will be much more than anyone realizes.

The board of directors believes that a bipartisan committee should make a careful study of the actual costs of these provisions now and in the future and that the people should be thoroughly informed about these costs prior to taking action on the extensions.

Your consideration of this recommendation is earnestly requested.

Very sincerely yours,

GEORGE L. IRVIN, Jr., *President.*

STATEMENT OF CHARLES C. FICHTNER, EXECUTIVE VICE PRESIDENT, BUFFALO CHAMBER OF COMMERCE, SOCIAL SECURITY LEGISLATION

Proposals further to liberalize the provisions of the Social Security Act should not be enacted without extensive actuarial study and full public hearings. The Buffalo Chamber of Commerce is opposed to portions of the bill now before the Congress for several reasons:

1. Inasmuch as OASI is not intended as an annuity contract such as that purchased from private insurance companies, and inasmuch as benefit payments are augmented in most cases by private pensions and individual savings, the continued attempt to liberalize payments is not in accord with the original intent of the act of providing a subsistence base for the needs of old age.

2. Continued increased costs of the system, resulting from further liberalization, tends to impair the national economy by leading to the threat of still more inflation. Without sound money and controlled Federal finances there can be no real security for the aged or for any other citizen. The main objective is to assure stable buying power of the old-age benefits on the scale now promised to workers and taxpayers presently making payments into the system.

3. The lowering of the age of women from 65 to 62 for the receiving of OASI benefits would remove many workers, male and female, from the labor market where they are now usefully and happily employed and where they are essential to a productive economy.

4. There is no necessity for disability coverage under the social-security insurance system. There are many private and public programs now available for such insurance. Under a federally administered program there are many dangers of costly abuse in addition to the normal difficulty of determining valid cases of total and permanent disability. The costs of such a Federal program would be unpredictable and possibly ruinous.

5. The increased payments required of employees and employers to finance these proposed changes would be unduly burdensome on both at this time when local, State, and Federal taxes are at near-record high rates.

ARMSTRONG CORK CO.,
Lancaster, Pa., February 29, 1956.

Hon. HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: There are several aspects of H. R. 7225 which, to our knowledge, have not been adequately covered in testimony and which are deserving of your special attention as a member of the Senate Finance Committee. We share your concern for a sound, workable social-security system both because we must pay for it and because any changes that are made may affect our long-standing private pension plan that is integrated with it.

First, various persuasive objections already have been advanced against the proposed uniform lowering of the retirement or eligibility age for women workers, wives of beneficiaries, and widows. While we are in agreement with these objections, they are familiar to you and need not be repeated here. All discussion of this point, however, seems to accept the premise that the retirement age for workers must be the same as the eligibility age for dependents of the same sex. We see no reason to connect the two. In fact, there is every reason to separate them.

The case for a reduction in the dependent eligibility age depends upon the degree of support required as well as the appropriate commencement date of such support for the dependent wife of a man who is retiring or, equally, the dependent husband of a woman who is retiring. The case for a lower worker retirement age, however, hinges upon determination of the age at which a worker—man or woman—should be encouraged to withdraw from the working force.

While the evidence thus far advanced does not justify a costly reduction in dependent eligibility age, this could be done for both male and female dependents without lowering the worker retirement age. And we strongly urge that no change be made in the worker retirement age for either men or women. The trend in private pension plans in recent years has been to increase the retirement age of women to equal that of the men in those instances where the women had been expected to retire at an earlier age. We have made such a change in our own pension plan.

Second, all of the testimony citing the successful administration of disability plans in private industry as an indication that a nationwide Federal plan is practical has failed to examine the reasons why these plans work in industry—reasons which would not apply if the Government were administering the program.

We have been administering private total and permanent disability benefits for 25 years. We have had no difficulty because:

(1) We know the employee and have readily available a complete history of him. The Government could not secure such information about applicants without costly investigation, and would have to deal with many who, by choice, have not been regularly employed.

(2) We are able to follow the employee's state of health continuously through our own doctors. Before he can qualify for permanent disability benefits he must have been under our medical observation while receiving temporary sickness payments (instead of full wages) for many months. This largely precludes feigned disability. The Government, coming on the scene late, would need an extremely large staff to approximate this close medical supervision.

(3) We control not only the continuation of payment of cash benefits but also the provision of medical services for rehabilitation, and access to reemployment in an attractive job. The Government would not control all of these factors and would not have the same incentives that we have as a private concern to use them in the most effective combination.

In view of these circumstances, it seems to us that it would be exceedingly difficult for the Government to administer an all-inclusive program of disability benefits on a nationwide basis. Certainly no legislation should be enacted unless and until practical solutions to these and other critical administrative problems are found.

In summary, we feel that no change should be made in worker retirement age because it is unnecessary; and that no disability benefit legislation should be enacted because workable administrative procedures have not been developed.

Yours very truly,

C. J. BACKSTRAND.

NATIONAL COUNCIL ON TEACHER RETIREMENT
OF THE NATIONAL EDUCATION ASSOCIATION,
Madison 5, Wis., February 28, 1956.

The Honorable HARRY F. BYRD, *Chairman*,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I am directed to forward to you on behalf of the National Council on Teacher Retirement of the National Education Association copies of the two enclosed resolutions, No. 1 and No. 2, prepared by the legislative committee of the council and unanimously adopted by the council in session February 18, 1956.

These resolutions state the position of the council concerning certain features of current proposals to amend the OASI provisions of the Social Security Act, particularly as they may apply to teachers. It is the earnest desire of the National Council on Teacher Retirement that these resolutions be given full consideration in the current deliberations of your committee.

Respectfully submitted.

RAY L. LILLYWHITE, *Secretary-Treasurer.*

RESOLUTION No. 1

Whereas the National Council on Teacher Retirement has worked diligently ovtr a period of years to promote and develop sound teacher retirement systems at State and local levels; and

Whereas in recent years the extension of OASI coverage to members of the teaching profession has been made possible provided certain procedural safeguards are observed: Therefore be it

Resolved, That the National Council on Teacher Retirement, in convention assembled at Atlantic City, N. J., this 18th day of February 1956, hereby memorializes the Congress of the United States to retain in title II of the Social Security Act, the very definite referendum provisions and other safeguards pertaining to coverage of State and local governmental employees contained in section 218d thereof, and instructs its legislative committee to oppose any changes therein.

RESOLUTION No. 2

Whereas the members of approximately one-third of the teacher retirement systems of the country have adopted social security coverage; and

Whereas approximately only one-third of the NEA members have adopted social security coverage; and

Whereas proposals for amendment of the Social Security Act, such as lowering the retirement age for women, liberalizing other provisions, and increasing social security taxes therefor, would result in varying effects on the members of retirement systems that have adopted social security coverage: Therefore be it

Resolved, That the National Council on Teacher Retirement take no position on general amendments of the Social Security Act, but rather invite each covered retirement system to express its views individually.

(Whereupon, at 1:15 p. m., the hearing was adjourned, to reconvene at 10:10 a. m. Wednesday, February 22, 1956.)

SOCIAL SECURITY AMENDMENTS OF 1955

WEDNESDAY, FEBRUARY 22, 1956

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

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Kerr, Frear, Barkley, Martin, Carlson, and Bennett.

Also present: Senator Ervin; and Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order.

Mr. Rowland Jones, Jr., who was scheduled to appear today in behalf of the American Retail Federation has submitted his prepared statement for the record in lieu of a personal appearance.

(The statement referred to follows:)

STATEMENT OF ROWLAND JONES, JR., PRESIDENT, AMERICAN RETAIL FEDERATION

My name is Rowland Jones, Jr. I am presenting this statement on behalf of the American Retail Federation. The federation is composed of 36 statewide retail associations and 29 national retail associations. The names of the member associations of the federation are:

STATE ASSOCIATIONS

Arizona Federation of Retail Associations
Arkansas Council of Retail Merchants, Inc.
California Retailers Association
Colorado Retailers Association
Delaware Retailers Council
Florida State Retailers Association
Georgia Mercantile Association
Idaho Council of Retailers
Illinois Federation of Retail Associations
Associated Retailers of Indiana
Associated Retailers of Iowa, Inc.
Kentucky Merchants Association, Inc.
Louisiana Retailers Association
Maine Merchant Association, Inc.
Maryland Council of Retail Merchants, Inc.
Massachusetts Council of Retail Merchants
Michigan Retailers Association
Minnesota Retail Federation, Inc.
Missouri Retailers Association
Nebraska Federation of Retail Associations, Inc.
Nevada Retail Merchants Association
Retail Merchants' Association of New Jersey
New York State Council of Retail Merchants, Inc.
North Carolina Merchants Association, Inc.

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Ohio State Council of Retail Merchants
Oklahoma Retail Merchants Association
Oregon State Retailers Council
Pennsylvania Retailers Association, Inc.
Rhode Island Retail Association
Retail Merchants Association of South Dakota
Retail Merchants Association of Tennessee
Council of Texas Retailers Associations
Utah Council of Retailers
Virginia Retail Merchant Association, Inc.
Associated Retailers of Washington
West Virginia Retailers Associations, Inc.

NATIONAL ASSOCIATIONS

American National Retail Jewelers Association
American Retail Coal Association
Associated Retail Bakers of America
Association of Family Apparel Stores, Inc.
Institution of Distribution, Inc.
Limited Price Variety Stores Associations, Inc.
Mail Order Association of America
National Appliance & Radio-TV Dealers Association
National Association of Chain Drug Stores
National Association of Music Merchants, Inc.
National Association of Retail Clothiers & Furnishers
National Association of Retail Grocers
National Association of Shoe Chain Stores
National Foundation for Consumer Credit, Inc.
National Industrial Stores Association
National Jewelers Association
National Luggage Dealers Association
National Retail Dry Goods Association
National Retail Farm Equipment Association
National Retail Furniture Association
National Retail Hardware Association
National Retail Tea & Coffee Merchants Association
National Shoe Retailers Association
National Sporting Goods Association
National Stationery & Office Equipment Association
Retail Paint & Wallpaper Distributors of America, Inc.
Super Market Institute, Inc.
Women's Apparel Chains Association, Inc.

The American Retail Federation represents approximately 700,000 retailers who are concerned with the increasing tax burden the social-security program is placing upon both employees and employers. Under existing law the projected tax under the present system will increase to a total of 8 percent by 1975. H. R. 7225 adds another 1 percent so that even if benefits are not increased between now and 1975 the tax ultimately will become 9 percent.

Our fear is that the continued extension of benefits, desirable as they may seem, will reach the point where the resultant financial burden on both individuals and the economy will nullify any benefits which the welfare of the country may be expected to receive from the social-security program.

As we see the problem, the present danger lies in the extension of benefits without a true picture as to what the financial impact of the increased benefits will be. The provisions of H. R. 7225 which provide for lowering the age at which women may receive full benefits from 65 to 62, and for the payment of permanent disability at age 50, should be carefully studied to determine their long-range impact on the financial structure of the fund.

Robert J. Myers, Chief Actuary of the Social Security Administration has conservatively estimated that the proposals to lower the benefit age for women and the 50-year pension age for the disabled, would cost $600 million a year at the outset, and in 25 years would amount to about $2.2 billion a year.

These estimates, it should be noted, are based on the assumption that the administration of the disability pensions would be both strict and tight, and that the present high level of employment will continue.

Mr. Myers points out that it has been the experience with private pension and insurance plans throughout this country, that where either of these assumptions do not materialize, the costs of such a program have been considerably higher.

The estimate of $2.2 billion a year does not take into account the fact that the age level of the population is moving upwards and the size of dependent groups is on the rise. Each places an increasing burden on the social-security system with the full future impact of even the present benefit structure not ascertainable.

An analysis of the population of the United States recently completed by the National Industrial Conference Board points out that the number of persons 65 years or older has been steadily increasing, and by 1975, this group may account for 9 to 10 percent of the population, as compared to 8.5 of the population which this group now represents.

Another element of cost which does not appear to have been given ample consideration is the increased cost required for the administration of this program of expanded benefits. A sizeable staff of doctors, technical personnel, Government inspectors and office force will be essential in the administration of the disability benefits provision, if the costs of these benefits are not to get completely out of hand.

The extension of retirement and survivors' benefits to an estimated 800,000 women, plus 250,000 disabled workers immediately, with a proportionately greater increase in the years to come, would necessarily entail increase administration expenses.

When we consider that the 1955–56 appropriation for administration of the OASI program amounted to $86 million, it can be seen that administration expenses constitute a substantial element of cost in such a program and must be given considerable weight in determining whether or not proposed amendments are financially sound.

Unfavorable experiences of private insurance companies with disability income contracts demonstrates the dangers inherent to the introduction of a program which would increase liabilities of the Social Security Administration without a thorough analysis of the costs of such a program.

The proposal to give pension payments to permanently disabled persons at age 50 is predicated upon the assumption that machinery for the administration of disability and for the administration of such a program has been successfully set up in connection with the disability "freeze."

J. Duffy Hancock, M. D., chairman of the Medical Benefits Committee of the Social Security Administration, has pointed out that "standards which the committee has established for total disability (in connection with the disability freeze) have been necessarily liberal in view of the tremendous backlog and the necessity for some nonprofessional administration of the regulations. Should the (pension) payments be made immediately available another interpretation of what is meant by totally disabled would have to be recommended by the committee."

Dr. Hancock also points out that "there is a backlog of several hundred thousand cases (under the disability freeze), which must be processed," and that his committee has "no acturial figures as to what the increased benefits at age 65 will amount to, and still less an idea of the tremendous amount of money that would be needed to pay full pensions at the date of disability."

The administrative machinery for implementing the disability freeze provisions has been in effect for less than a year, and at best is still in a tentative and experimental stage. This is hardly the type of organization which can take over the administration of the even more complicated and extensive disability pension provisions.

Moreover, in foisting a flood of new and difficult operating and technical problems and claims on this new and inexperienced organization, there is a serious danger that the entire administrative process of both programs will bog down.

CONCLUSION

To millions of people in the United States, the social-security system represents the basic foundation for their own retirement security, as well as for the protection of their dependents. Almost every American has a stake in the soundness and stability of this program. As we have previously pointed out, the proposals contained in H. R. 7225 will have a substantial and far-reaching impact on the entire old-age and survivorship insurance program. Such a program can only

be instituted after a comprehensive study of all of the factors involved, and should not be initiated unless it can be soundly financed and administered.

The CHAIRMAN. The Chair recognizes the Senator from North Carolina, Senator Ervin, to introduce the witness.

Senator ERVIN. Mr. Chairman and gentlemen of the committee, we have a very fine delegation here today from the North Carolina Medical Society, whose president, Dr. James Parks Rousseau, will speak for the delegation, and I would like to present him at this time. I also would like to present the rest of the delegation and ask them to stand:

Dr. Rhodes, Dr. Brewer, Dr. Koonce, Dr. Hill, and Mr. Barnes, who is the executive secretary of the North Carolina Medical Society.

Dr. Rosseau, if you will come up to the chair here, we will proceed to take your testimony.

I want to thank the chairman and the committee.

The CHAIRMAN. Dr. Rosseau, you may take a chair, sir, and proceed, if you will.

STATEMENT OF DR. J. P. ROUSSEAU, PRESIDENT, MEDICAL SOCIETY OF THE STATE OF NORTH CAROLINA, WINSTON-SALEM, N. C.

Dr. ROUSSEAU. Mr. Chairman and members of the committee, and Senator Ervin, I am Dr. J. P. Rousseau, of Winston-Salem, N. C., where I have been engaged in the active practice of medicine for 35 years, and a teacher in the Bowman Gray School of Medicine for 15 years.

I wish to thank the chairman and this committee for the privilege of appearing before you to register opposition to H. R. 7225 on behalf of the members of the Medical Society of the State of North Carolina, of which I am president.

With your permission I will introduce to you other members of our State society who are present: Dr. Street Brewer, Dr. Donald B. Koonce, Dr. John Rhodes, Dr. Millard D. Hill, vice president of the American Medical Association, and Mr. James T. Barnes, executive secretary of the State society.

My comments will also reflect the views of many citizens and other groups and organizations in North Carolina, with whom it has been my privilege to discuss social legislation.

My testimony as a physician will be directed to opposition to those provisions of H. R. 7225 which provide cash benefits for the totally and permanently disabled worker beginning at the age of 50, instead of at the present age of 65.

Before commenting further on the above medical provisions of this bill, I wish to make it very clear that I am fully aware that the measure against which this testimony is directed has passed the House of Representatives by an overwhelming majority of 372 to 31, and that a large number of Senators support the measure.

The manner in which this bill was written in the House Ways and Means Committee and passed by the House of Representatives, and the reasons certain individuals voted for this measure, however, detract considerably from the impressiveness of the vote. You, of course, are familiar with the details of the way the bill was written in the Ways and Means Committee and passed by the House of Representatives. The minority report of the committee and the statement

of the then Secretary of Health, Education, and Welfare, Mrs. Oveta Culp Hobby, are a matter of record. Ben Franklin said:

> They who would give up essential freedom for a little temporary security deserve neither freedom nor security.

We are grateful to members of this committee for refusing to take this bill to the floor of the Senate without first having open hearings. We have never opposed social security per se. The whole social security system is a gigantic, expensive experiment in social welfare, with profound influence on the economic and social life of American citizens. It should not be amended or expanded until a thorough, nonpartisan study of its future implications has been made.

Little is now known regarding how many millions will be eligible for cash benefits and medical rehabilitation of the totally and permanently disabled at the age 50, or how many millions of totally and permanently disabled dependent children will come under the provision of cash benefits and the medical program for life. What is already being done for them under our present Government, State and county matching-funds programs? What will it cost in taxes for the rehabilitation program? What will it cost for medical care for those who cannot be or refuse to be rehabilitated in lieu of cash payments?

We in North Carolina are proud of what is being done for disabled children and citizens under our present system of free professional services for all who are in need; whether in social security or not. No indigent patient in North Carolina is refused the high standard of medical care available today, for rich and poor alike, if they ask it.

Needy disabled persons are provided money benefits under the present State-Federal program for the permanently and totally disabled. Citizens of North Carolina take a great deal of pride in participating in the very efficient rehabilitation and medical-care program under our free-enterprise system.

We believe this is true everywhere in this Nation. America's physicians give 12 percent of their 63-hour workweek to treating charity patients. The Federal Government's intervention in these programs could kill the incentive of citizens and physicians, at the local and State level, in this great philanthropic and humanitarian service to humanity.

In North Carolina we have had a program of physical and vocational rehabilitation for a third of a century, and in many ways we have pioneered in the definitions and classifications which have progressed and assured success in the rehabilitation of the physically handicapped in this country. Through the years the tenets of rehabilitation have hinged on the principle that—

1. Given a physical impairment which constitutes a vocational handicap.
2. Given a feasible residue of physical capacity, conditioned by an attitude of desiring to work and become a useful member of society.
3. And finally, given a logical plan of services in medical reconstruction and physical restoration, combined with vocational training.
4. A high percentage of all individuals suffering degrees of physical impairment can be and are rehabilitated.

But such principle of rehabilitation does not reckon with a dangling cash compensation, such as provided in H. R. 7225. As medical men, we have contributed, largely free services, for 25 years toward the essential medical rehabilitation of North Carolina's physically handicapped, and we shall continue to do so; but H. R. 7225, providing cash compensation at a broad base and a continuing medical-care program, under the guise of compulsory physical restoration, establishes two bonanzas so lacking in the self-help principles of rehabilitation that henceforth our efforts as physicians, and the efforts of the rehabilitation counselor, will be nullified, or stultified, and a high percentage of the physically handicapped will become cash compensation and medical care malingerers.

Our opposition to the far-reaching medical implications of H. R. 7225 stem, in part, from realizing that the adoption of this bill would provide a program of medical service in a retirement program or, to say it in another way, full-fledged compulsory health insurance in OASI.

H. R. 7225, the 1955 amendment to the Social Security Act, involves a relationship between the Government and private physicians which is profoundly disturbing to all thoughtful physicians, citizens, patients, and taxpayers. If H. R. 7225 is enacted, physicians will be put under pressure from their patients to certify them disabled or lose their patients.

Senators, the next paragraph is just an illustration, which is not too pertinent, so we will skip that.

The bill raises many other important questions:

What is total and permanent disability? It is not clearly defined in the bill, nor in many cases can physicians finally determine total and permanent disability from subjective complaints and symptoms without objective findings to substantiate them. Is it good treatment to tell a patient with a heart attack, a psychoneurosis, a backache, a headache, alcoholism, drug addiction, or a cancer, that he is totally and permanently disabled? Physicians do not think so. Many seriously ill and disabled patients recover and live many long and useful years with proper medical care.

The bill would create millions of malingerers who would falsely claim all types of symptoms which the medical profession, unfortunately, cannot disprove. Millions will not subscribe to any program of medical and vocational rehabilitation for these faked or even real disabilities.

There is no way for a physician or anyone else to make a benefit claimant take prescribed treatment, if he prefers cash benefits. In order to cure or rehabilitate a patient, a physician must have his patient's cooperation. The patient must have the will to live and get well.

Cash benefits would remove this incentive from the minds of millions of workers, especially if cash benefits approach the level of income from their employment. It is impossible to predict the increase in the number who would demand certification for total and permanent disability and cash benefits in periods of depression and unemployment. Past experience convinces us that the prevalence of permanent disability claims under insurance and industrial compensation markedly increase in times of economic distress.

Physicians are not economists. Our patients, however, expect us to be citizens as well as healers. Theodore Roosevelt observed, "Every man is, first, a citizen of some community." As citizens, we are ipso facto deeply interested in what the economic impact of continued expansion of benefits will be on the financial structure of social security.

There are only two methods for any individual, business, or government, operating in the red to balance the budget and get out of debt: (1) Decrease expenditures, and (2) increase productivity and income. The latter does not seem possible if the Federal Government encourages workers to stop work at the age of 65, 62, and now at the early age of 50, and at the same time discourages the disabled from pursuing a rehabilitation program by offering them money benefits.

I would like to make it very clear that in opposing H. R. 7225, physicians ask nothing for themselves.

The requisite freedoms necessary for good medical care are free choice of physician, freedom from any third-party intervention, and scientific freedom. These are being rapidly destroyed by Government intervention between the patient and his physician in every country that has accepted socialized medicine.

Physicians are rightfully concerned over any change in the fundamental concepts of American medicine for the following reasons:

1. We would lose our requisite freedoms in medicine.

2. Without these freedoms in medicine, we would never have achieved the highest standard of medical care and medical education in the history of the world.

3. Without these freedoms, the great possibilities of even greater scientific achievements and better medical care in the future would not be possible.

4. Any regimentation of the medical profession will surely lead to a lower standard of medical care for our people, and deter future progress in medicine, as it has in all Socialist countries.

I can remember when medical education in Europe was considered far superior to medical education in America. Many American physicians felt it necessary to go to Europe and other foreign countries for postgraduate medical education.

The reverse is true today. Many physicians graduating in foreign medical schools now come to this country for their postgraduate education, realizing that American medical education is superior to that of their own native land.

The American medical profession stands today on the threshold of far greater scientific achievements and better medical care in the future. There are new frontiers in medicine to conquer. Physicians only wish to be left free to carry out their single duty to treat the sick as you yourself would wish them to do.

These are some of the reasons why we oppose H. R. 7225. These same truths, I believe, apply to the achievements in all other fields of endeavor under our American system of free enterprise. Sound government, under our American system, can only keep the door open and provide a fertile field in which to work. Enterprise and ambition are qualities that no government can supply.

A gain of over 2 million in our population the past year is not altogether due to the bumper crop of postwar babies. Our elders are living longer, too. Modern custom under social security sets the

end of man's useful life at 65. H. R. 7225 reduces this to the age of 62, and 50 for millions of other workers.

They may switch from wages to pensions, from a feeling of importance to uselessness and despair, from activity to idleness. Man is not done for, by any means, at the age of 65. He may, on the average, look forward to 14.1 more years, which should be rewarding year and not wasted years.

We understand previous witnesses have suggested a full-fledged study of social security be initiated. The Medical Society of the State of North Carolina, with its more than 3,000 members, pledges its wholehearted support and cooperation in such a study of social security in the United States. We will devote our best efforts to procuring and providing thorough information on all technical, scientific, and medical aspects of disability, rehabilitation and medical care of the disabled citizen in our State.

If the rights and personal responsibilites of the individuals are lost here, where shall we, and others, look for hope and guidance? You in the United States Congress stand as a bulwark and guardian to protect these rights and freedoms and all the citizens.

Thank you for the privilege of expressing these opinions for myself, many of my friends and acquaintances, and the society which I represent officially. In doing so, I am reminded of the words of George Washington, whose birthday we commemorate today, who said: "If to please the people we offer that which we ourselves disapprove, how can we afterward defend our work? Let's raise the standard to which the wise and honest can repair. The event is in the hand of God."

Thank you, sir.

The CHAIRMAN. Doctor, we are very glad to have your views, sir.

Any questions?

Senator KERR. I have just one question.

The CHAIRMAN. Senator Kerr.

Senator KERR. On page 2 of your statement, Doctor, you said, in the second paragraph, the last sentence——

Dr. ROUSSEAU. Yes.

Senator KERR (reading):

It should not be amended or expanded until a thorough, nonpartisan study of its future implications has been made.

Who do you suppose we can get to make such a study?

Dr. ROUSSEAU. Well, sir, I think you are a nonpartisan group, but I believe that you could secure the services of many citizens.

Senator KERR. I think you can safely assume, Doctor, that the members of this committee are all partisan.

Dr. ROUSSEAU. Yes, sir. [Laughter.] I realize that, sir, but I do believe that——

Senator KERR. I am not even sure that is an objective devoutly to be hoped for.

Dr. ROUSSEAU. I am sorry, sir.

Senator KERR. I doubt if you can find any substantial portion of this committee that would seek to promote nonpartisanship as a general situation.

I take it that if I interpreted that to mean objective study, it might represent the same thing to us that nonpartisanship does to you.

Dr. ROUSSEAU. Yes.

Senator KERR. Well, that is all right.

Dr. ROUSSEAU. Yes.

Senator BARKLEY. A week or so ago, all the Republication Senators went out to make nonpartisan Republican Lincoln Day speeches, and in about a month we Democrats will be out over the country making nonpartisan Jefferson Day speeches. [Laughter.]

I would like to ask this, Doctor: Is your general attitude against social security?

Dr. ROUSSEAU. No, sir.

Senator BARKLEY. The trend of your argument would seem to indicate that fundamentally you oppose it.

Dr. ROUSSEAU. No, sir, Senator; we do not oppose social security. We are in favor, I think, as much as any group of people, of taking care of all crippled children and disabled and aged individuals.

Senator BARKLEY. Disabled?

Dr. ROUSSEAU. Yes, sir; disabled, aged, and crippled children; we are heartily in favor of taking care of them.

Senator BARKLEY. There you come into the difficulty of what you have outlined here, of what is disability. We have had a lot of experience, most of which is medical, in insurance companies, in the Veterans' Administration, and in other activities, which finally comes down to a medical question of whether a man is disabled, whether he is temporarily or permanently disabled, or whether he is partially or totally disabled.

It is always wise to have a thorough investigation before any law is passed which affects as many people as this law does; and yet I do not know whether a long-time investigation would enable the medical profession to have any more acute opinion as to a man's disability than they have now, since it must be, after all, a medical question.

Do you think such an investigation would enable the doctors to pass on that question in a year or two, better than they do now?

Dr. ROUSSEAU. I think, sir, it would. That is one thing that worries physicians. Disability, total and permanent disability, is the most difficult thing physicians have to deal with.

When you think about a disabled person, you have got to consider the whole patient, his psychological background, his mental makeup, and all of those things which enter into whether he is disabled or not.

One patient will become completely disabled with an ailment, while hundreds of others will be rehabilitated because they have that so-called will to recover and get well. That is something which is hard to define. We do not know the answer, but I think——

Senator BARKLEY. Of course, every physician knows that he must have the cooperation of his patient, whether it is a temporary illness or a permanent illness, or whether it is total or partial disability.

Yet there are people in this country, and many of them, who are permanently and totally disabled, and the question is whether, if we owe any duty to the incapacitated, whether by age or disease or disability, or what have you, if we do owe any duty as an organized society to them, shall we compel them to await any sort of benefit from the law which we are now considering until we have had a long time of investigation, or—we must admit, notwithstanding the ability to rehabilitate many people, and I am for that and I think it ought to be done, yet there are some who cannot be rehabilitated.

Now, do we owe such a duty to them as we owe to the aged and crippled children, and all that, which would justify our postponing any relief to them for a long time while we are engaging in an investigation?

Dr. ROUSSEAU. Sir, I personally feel in our State they are being taken care of already very adequately with the Federal Government matching State and local community funds.

I also feel that these people, communities, have an obligation to them; I think their families and friends, particularly the families, have an obligation.

I am not against taking care of those people, and physicians have and will give free services. We are glad to, and always have.

Senator BARKLEY. You referred to the fact of the difficulty of physicians saying "no" to a patient who wants to be certified as totally and permanently disabled. What proportion of the medical profession are willing to be high-pressured into giving this certification to somebody in order not to lose a patient?

Dr. ROUSSEAU. I think a very small percentage, sir.

Senator BARKLEY. I do, too.

Dr. ROUSSEAU. I think a small percentage.

Senator BARKLEY. I would hate to think——

Dr. ROUSSEAU. We should not have any, but unfortunately there is a small percentage.

Senator BARKLEY. I would hate to have it otherwise.

Dr. ROUSSEAU. I think a small percentage.

Senator BARKLEY. I have great respect for the medical profession, both as a profession and as human beings. I was raised in the country, where we had a country doctor, and he was not only our doctor but he was our friend and confessor, and whenever he came into a sickroom, why, you got better right away by the tone of his voice and his manner.

I have often said I would rather have—in politics, when I am running for office—I would rather have one good, active doctor working for me than all the lawyers in the county seat. [Laughter.] He would come closer to the people. [Laughter.]

There is a doctor down at Winston-Salem—I have forgotten whether he is a doctor or dentist—a Dr. Barkley. Do you know him?

Dr. ROUSSEAU. Dr. Carl Barkley.

Senator BARKLEY. Yes, sir. He is sort of a cousin of mine. My grandfather was raised in North Carolina. You give him my regards when you get back.

Dr. ROUSSEAU. I certainly will. He is a very good friend of mine.

Senator KERR. Do you know whether or not he is nonpartisan? [Laughter.]

Senator BARKLEY. I might say this, that in North Carolina there are a lot of Barkleys, it is full of them. I went down there to a reunion some years ago, where they erected a monument to a Robert Barkley, who was a soldier in the Revolution. And to my very great amazement and astonishment, I found a lot of them were Republicans. [Laughter.]

Senator CARLSON. That shows, Senator, there is some hope there.

Senator ERVIN. Mr. Chairman, I would just like to say for Senator Kerr's benefit, that Dr. Rousseau comes from Wilkes County, N. C.,

where the Democrats are harassed a great deal by the presence of a Republican majority, and where the Republicans are rather distressed in fighting quantities of Democrats, so he is pretty well familiar with the fact that most Democrats and most Republicans are not nonpartisan. [Laughter.]

Dr. ROUSSEAU. That is true.

Senator ERVIN. I want to thank the committee for the courtesy they have extended to Dr. Rousseau and the other members of the North Carolina delegation.

The CHAIRMAN. We are happy to hear from you, sir.

Dr. ROUSSEAU. Thank you, Senators, and Mr. Chairman.

The CHAIRMAN. The Chair recognizes the Senator from Kentucky to present the next witness.

Senator BARKLEY. Mr. Chairman, Dr. Leon Higdon, who is here representing the Kentucky State Medical Society, and who lives in my home city, Paducah, is here, and I would like to present him to the committee. He is here representing the State medical association, and he is one of our outstanding physicians; and not only that, but he is a very fine citizen of our community, public-spirited, and in every way, and he comes from a family of physicians.

I do not know what attitude he is taking here on this bill, but I can say that the Kentucky State Medical Society could have no better representative here today than Dr. Higdon.

The CHAIRMAN. We are delighted to have you, sir. Take a seat and proceed with your statement.

STATEMENT OF DR. LEON HIGDON, MEMBER, KENTUCKY STATE MEDICAL SOCIETY, PADUCAH, KY.

Dr. HIGDON. Thank you, Senator Barkley.

Mr. Chairman and members of the committee, as you now know, my name is Dr. Leon Higdon. I have practiced medicine for 25 years at Paducah, Ky. I am a member of the Kentucky State Medical Society, and I am here as a citizen of Kentucky and as a representative of the Kentucky State medical organization of some 3,000 members. I will limit my statements to two phases of this bill:

No. 1. That portion which has to do with disability and the evaluation of disability; and

No. 2. Objections from a rehabilitation standpoint.

We will recognize that those who are permanently disabled and in need require financial aid from one source or another. The objective of giving assistance to those totally disabled must of itself not contribute to increasing the problem in the permanently disabled. It must not reduce the stimulus of the individual for rehabilitation and recovery. It must not make disability more attractive, even to some, than remunerative employment. It must not create an atmosphere which breeds the desire to be classified as permanently disabled. It must not be a method whose purposes can be easily violated. It must not be a method which might encourage deceit and malingering; nor must it be a method in which evaluation of the disability may lead to inequities in classification.

From the doctor's standpoint, the major clinical problem is the difficulty arising in the assessment of permanent disability. There are certain conditions in which the evaluation of permanent disability

is simple and clear, but the dividing line between these clear-cut conditions and others, creates a problem which we would like to emphasize.

The assessment of permanent disability, furthermore, becomes increasingly difficult as the reward for such a disabled state becomes greater and greater.

The cash-benefit provision in this bill is sizable, and represents a very satisfactory income to many individuals. If an individual is disabled and receives such a stipend, it could be a large factor in promoting continuous disability and complacency, even in those individuals whose intentions are commendable. It would be a factor in inhibiting the interest in rehabilitation which should be the first objective of all those who are disabled.

Absence from work for a period of time has an emotional effect which makes it easy for the individual to settle back in a dormant way. Such an individual needs stimulation, not the temptation to sit back and succumb to the emotional security of permanent disability.

A cash benefit as proposed in this bill, we believe, would decrease the interest of many individuals in rehabilitation and in a return to work.

Since there is a certain financial security when classified as permanently disabled, the screening of the candidate for such classification becomes a real problem, even under the most careful program of evaluation.

Furthermore, there are many instances in which it would be most difficult, and occasionally impossible, to assess the degree of disability which exists. Exaggerated complaints and affected signs of physical disorder may lead to assessment of disability even in its absence.

This would arise not only in connection with definite malingering, but in those who have emotional disorders and functional complaints as well.

One can foresee terrific pressure upon physicians to certify disability. It can be predicted, furthermore, that a patient may go from one physician to another, until he obtains the desired certification of disability.

Such certification to the undeserving may arise from mistaken diagnostic interpretation, or it may be associated with the frailties that are part of the human race, even in physicians.

Now to my second objection. There has not yet been time to develop new phases of the already established social security program which gives promise of much more effective service to disabled persons than the mere pensioning of them.

In addition, H. R. 7225 provides no truly effective means of, first, attempting to restore a disabled person to self-sufficiency; and then, being certain that this is impossible, that he is truly totally disabled.

There is still a general lack of appreciation of the effectiveness of modern methods of rehabilitation. Rehabilitation has been defined as the restoration, through personal health services, of handicapped persons, to the fullest physical, mental, social, and economic usefulness of which they are capable. The personal health services include both ordinary treatment and treatment in special rehabilitation centers.

In our opinion, the Federal legislators should be encouraging continuing support of the enromous potentialities of the various programs for rehabilitation through the Federal Office of Vocational Rehabilitation, rather than encouraging the provision of pensions for the disabled. The full force of legislative action should then be directed, first, toward the rehabilitation of the disabled; and only after it has been found that is is impossible to rehabilitate an individual should legislative consideration be given to means for providing him with financial assistance.

In January 1954, President Eisenhower, in his special health message to Congress, pointed out that there are 2 million disabled persons who could be rehabilitated, and thus returned to productive work. Only 60,000 are being returned each year. Our goal, the President added, should be 70,000 in 1955, 100,000 in 1956, and by 1956 the States should begin to contribute to the cost of rehabilitating these additional persons. By 1959, with the States sharing with the Federal Government, the President said we should reach the goal of 200,000 annually.

The small but rapidly growing number of medical rehabilitation centers, and the understaffed State vocational rehabilitation units, with the assistance of the Federal Office of Vocational Rehabilitation, are struggling manfully to meet these goals, but they still are finding difficulty in expanding because of the shortages of personnel.

If these agencies were suddenly to be swamped with a quarter of a million additional persons, as is recommended in H. R. 7225, many of them seeking, primarily, to get on the "gravy train" of a permanent pension, and only halfheartedly accepting attempts at rehabilitation in order to comply with the requirements of this propesd law, the whole mechanism might easily break down and many worthy persons who are really seeking total rehabilitation might fail to obtain it for several years to come.

I agree with the President's Commission on the Health Needs of the Nation, however, when it said:

> The economic argument for rehabilitation work is a strong one, but the real goal is not a saving of dollars and cents. The real goal is human values, saving life and enabling it to do the heretofore impossible, requires depths of courage and brings out new wellsprings of satisfaction. Everyone is heartened by what the handicapped can do in the face of really great difficulties. In performing miracles of adjustment, they help keep others from succumbing to the small and trivial things of life.

I urge you will agree, then, that it is much better to legislate for the expansion of such rehabilitation facilities under existing laws than to shelve disabled people on a pension.

Thank you.

The CHAIRMAN. Thank you very much, Doctor.

Any questions?

Senator BARKLEY. Your criticism of the bill, Doctor, is directed chiefly, if not altogether, toward the total and permanent disability provisions and the rehabilitation idea connected with that.

Dr. HIGDON. That is correct, Senator.

Senator BARKLEY. You are not opposing the bill as a whole.

Dr. HIGDON. That is right. We wish to emphasize that the rehabilitation factors should be urgently encouraged, and every effort made to see that these people who are handicapped, early be placed

under that program, and that they be fully studied and given every opportunity to return to some gainful employment.

Senator BARKLEY. I suppose it is admitted there are some, a good many—I do not know how many—people in the country who are at present totally and permanently disabled, who cannot be rehabilitated; and they would have to be sifted out among those who can be. But the question which arises in my mind is whether you should deny to those who are admittedly incapacitated, totally and permanently, any relief until we have had a long investigation and determined whether there should be any relief at all for disability; and whether during that process the medical profession would be more able, at its termination, to determine whether a man is totally disabled or not.

Dr. HIGDON. Yes; that is a good point.

Of course, the program is being studied and efforts made to improve classifications for disability. Most of these people are getting very good care through the old-age and disabled assistance programs.

You know, in Kentucky, that we do have a very good program for caring for these people, and it is barely possible that although many of these people might be disabled or might be classified as totally disabled, yet if they had been previously studied and been reworked up under a rehabilitation program, many of them might be found not actually to be totally disabled.

I just have the feeling that there are very few of them actually lacking in care at this time.

Senator BARKLEY. Well, I am not so certain about the adequacy of it, because many of the States, either through financial disability or for one reason or another, have not done what has been done in other States which have been more generous.

I do not know whether they are all adequately cared for or not, but they are all being cared for to some extent.

Dr. HIGDON. That is right.

Senator BARKLEY. That is all.

Senator KERR (presiding). Thank you, Dr. Higdon.

Dr. J. Douglas Brown?

Come around, Dr. Brown. Be seated.

STATEMENT OF DR. J. DOUGLAS BROWN, DEAN OF THE FACULTY AND PROFESSOR OF ECONOMICS, PRINCETON UNIVERSITY

Dr. BROWN. Thank you, sir.

Are you ready, sir?

Senator KERR. Yes.

Dr. BROWN. Gentlemen:

I am J. Douglas Brown, dean of the faculty and professor of economics at Princeton University.

My connection with the social security program began in September 1934, when, on the staff of the President's Committee on Economic Security, I participated for a good many months in the planning of the old-age insurance and assistance features of the original Social Security Act.

When the proposed legislation was under consideration, I testified before this committee, and also served as an expert in your executive sessions. I assisted in the planning of the Government's case to defend the act before the court.

In 1937–38, I was Chairman of the Advisory Council on Social Security sponsored by your special subcommittee and the Social Security Board in 1938.

In 1947–48, I was a public member, along with Prof. Sumner Slichter, of the interim committee of the Advisory Council on Social Security appointed by your committee.

I mention these connections not only as a means of identification, but to indicate my long and deep concern for the constructive evolution of this program, which means so much to the American people.

Over the past 21 years, I have been greatly impressed by the thorough and comprehensive study which has preceded each forward step in the building of our national social security program. The American people owe a tremendous debt of gratitude to this committee, in particular, for its firm resolution that legislation affecting the security of almost every citizen should be enacted only after extended studies, hearings, and deliberations had confirmed the wisdom of each proposal.

Any new feature of the old-age and survivors' insurance program, once enacted, becomes a part of the economic expectancies of our people—a part of their life estate. It cannot be removed without hardship and loss of confidence in the wisdom and stability of the program.

Against this background, I wish to urge upon your committee the decision that the time has come to add the feature of benefits for permanent and total disability commencing at age 50 to the old-age and survivors' insurance program. Such protection is a logical and closely integrated segment of the total structure of the program. It was studied and forecast as long ago as 1938. In its recommendations to this committee in that year, your Advisory Council on Social Security stated:

> The provision of benefits to an insured person who becomes permanently and totally disabled and to his dependents is socially desirable. On this point the Council is in unanimous agreement. There is difference of opinion, however, as to the timing of the introduction of these benefits. Some members of the Council favor the immediate inauguration of such benefits. Other members believe that on account of additional costs and administrative difficulties, the problem should receive further study.

Seventeen years of studies, hearings, and deliberations have intervened since that recommendation was made. Much of the administrative difficulty noted by some members has been resolved in the operation of the disability freeze provisions of the present program. The costs of the limited benefits now proposed have been carefully estimated on the basis of greatly extended data.

The need for such protection is all the more evident than it was in 1938. That the council which then unanimously supported the principle of permanent and total disability benefits was representative of the reasonable desires of the American people is indicated by the fact that every other proposal of the council on benefits and coverage is now a fully accepted part of the program.

Again in 1948, after careful study, your Advisory Council on Social Security recommended the establishment of benefits for those totally and permanently disabled. Of 17 members, only 2 members dissented from a recommendation which was far more comprehensive than the bill now before the committee. No lower age limit at age

50 was included in the recommendation made by that council. The present proposal is more conservative in this respect, and I believe wisely so, as a first step in a new area of administration and cost.

I am as fully convinced in 1956 as in 1948 or in 1938 that permanent and total disability benefits are a proper, feasible, and necessary feature of our old-age and survivors' insurance program. I am more convinced than ever that the workers, employers, and public in our country want this feature added to the act. They are ready to pay the cost.

I sincerely hope that the oft-repeated dirges and prophecies of a small number of professional objectors will not lead the Congress to doubt the capacity of the United States Government to provide soundly and efficiently the protection which the people need and are willing to finance.

We have the finest Social Security Administration in the world. It has mastered problem after problem over the past two decades. The troubles prophesied by our pessimistic friends are like the man under the bed. To their disappointment, he isn't there.

In sharp contrast to the long-considered introduction of benefits for permanent and total disability, the proposed reduction in the age of eligibility for old-age benefits for women is a radical departure from the conclusions reached in many thorough studies of the old-age insurance program. The proposal for a different eligibility age for women, particularly widows, has been advanced many times, but, after careful evaluation, it has been dropped as unnecessary and unwise. The reasons have been several.

(1) The proposal is based upon a misunderstanding of the basic assumptions of the old-age insurance system and of the practical facts concerning retirement from gainful employment. It was never assumed that most men would stop gainful employment at precisely 65, but rather, that they would prefer continued employment at wages, so long as they were able to work and work was available.

The old-age insurance program was intended to protect men against loss of earnings due to age, not to establish 65 as the time to quit work. In practice, this has proved true. Most American workers prefer full wages to partial benefits unless disabled by age or illness.

(2) With the improved health and vigor of our older citizens and our continuing need for their services, it would, I believe, be mistaken national policy to crystallize 65 as the normal retirement age. Retirement from all gainful employment is different from retirement from a single employer.

If 65 is not the retirement age for most men, then age 62 for wives loses its meaning. The more justifiable conclusion is that 68 is the model age for retirement for men in good health, and that a wife 65 or older would then receive benefits. The better step, I am firmly convinced, is to provide benefits even before 65, if the husband is disabled.

(3) If wives should be made eligible for benefits at 62 because of their husbands' contributions, then certainly a single woman who has herself contributed should become eligible at the same age. Would, then, a wife who could qualify for benefits in her own right receive benefits from age 62 before her husband is 65, and later be able to shift to a benefit related to her husband's benefit if he quits gainful employment after 65?

It would be an unfortunate anomaly if we should have to deny an earned benefit to a woman because she was married to an employed husband. Yet to pay old-age insurance benefits to a woman 62 when her husband is fully employed does seem incongruous.

(4) The confusing complexity of the problem just posed arises from a basic and serious difficulty in differential ages of eligibility for men and women. A woman as a dependent wife is in a very different economic situation from a woman as a wage earner. The wives' benefit under our old-age insurance system is related to the former. The primary benefit is related to the latter.

But women, bless their souls, move from one status to the other in blithesome disregard of the problem this creates with differential retirement ages. Therefore, a single retirement age is the only equitable policy, especially in the light of the higher relative cost of benefits to women because of longer life expectancy.

(5) A reduction in the age of eligibility for all women is a very costly venture. I am convinced that the large sums involved would pay far larger returns in social benefit if used in other ways. It is more important to protect those who can't work than those who can. There is much to be done in meeting the problem of permanent and total disability among both men and women, both young and old, before we divert money into the earlier retirement of able-bodied people, either men or women.

I therefore strongly urge your committee to set aside the proposed lowering of the eligibility age for women. Because of its popular appeal to persons who do not have the opportunity to study the complex problem of the best use of the limited funds available for insurance benefits, the reopening of the age of eligibility is fraught with great risks. Once the long-established anchor point of 65 is left behind, it will be most difficult to withstand the recurring tides of sentiment and political expediency.

Our social-insurance system is very strong, but every effort should be made to spare it from great waves of popular and shortsighted demand for changes which may appear to be generous, but which endanger the stability of the program in the years ahead.

Thank you very much.

Senator KERR. Thank you, Dr. Brown.

Are there questions?

Senator BARKLEY. Are you a physician, Doctor?

Dr. BROWN. No, sir. I am a college administrator, but an economist.

Senator BARKLEY. Yes.

I had a grandson who graduated from Princeton 2 years ago.

Dr. BROWN. I think I heard that, sir.

Senator BARKLEY. A fine boy.

Dr. BROWN. We get a good many from your State, sir.

Senator BARKLEY. Yes. One of my favorite institutions. I was never privileged to go there, but I served as a Senator and Congressman here under one of the great men of America who was president of Princeton for a long time, Woodrow Wilson.

Dr. BROWN. We consider ourselves the northern outpost of southern culture, Senator.

Senator BARKLEY. Thank you very much.

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Senator MARTIN. Mr. Chairman, since the distinguished Senator from Kentucky has made reference to Princeton, it has always been my regret that I was not able to attend Princeton. I made all arrangements to make it—I would graduate in one year from Princton, and everything I would take would be under Woodrow Wilson. I had studied the economic philospohy of Woodrow Wilson, and I was a young man greatly impressed with it. But, unfortunately, I could not make the financial arrangements to attend a year, but it was his last year as a profesosr before he became president, and I have always regretted that I did not have that opportunity.

Senator BARKLEY. I have got an awfully good speech which I wrote the other day on Woodrow Wilson. If you would like to read it, I will send it to you. [Laughter.]

Senator MARTIN. I would love to read it, Senator. I have always been a very great admirer of Woodrow Wilson's philosophy.

Dr. BROWN. He did a great deal for us, sir.

Senator KERR. Thank you very much, Dr. Brown.

Dr. BROWN. Thank you.

Senator KERR. Mr. Albert Linton, Provident Mutual Life Insurance Company of Philadelphia.

Senator MARTIN. Mr. Chairman, I would like the privilege, as a man from the same State as the distinguished witness, to introduce him to the committee.

Mr. LINTON. Thank you, Senator Martin.

Senator KERR. Thank you, Senator, and we are happy to have him introduced by your distinguished friend from Pennsylvania.

STATEMENT OF M. ALBERT LINTON, CHAIRMAN OF THE BOARD, PROVIDENT MUTUAL LIFE INSURANCE COMPANY OF PHILADELPHIA, PHILADELPHIA, PA.

Mr. LINTON. My name is M. Albert Linton, chairman of the board of the Provident Mutual Life Insurance Company of Philadelphia. I appear as an individual who has been intensely interested in social security since its inception. It was my privilege to serve on the two Advisory Councils—the first in 1938, and the second in 1948—and my good friend, J. Douglas Brown, did the same.

Your granting me the opportunity of presenting testimony on H. R. 7225 is much appreciated. I shall concentrate upon two aspects of that bill: first, the proposal to introduce into the old-age and survivors' insurance system total and permanent disability income benefits at certain ages; and second, the proposal to reduce from 65 to 62 the age at which women would become eligible to receive benefits.

You have already heard a great deal of testimony on these subjects, and I shall do no more than present in brief the high points of the problems as I see them.

The first point I wish to discuss is the possibility of confinign the disability provisions to the two limited groups specified in the bill; namely, those who become disabled at age 50 or over, and those who become disabled before age 18 and continue to be disabled after that age.

It is my firm belief that if once the Federal Government introduces total disability income provisions into the OASI system, even to a

very limited degree, it will not be long before irresistible pressures will build up to extend the coverage to all ages. This, I believe, would be a costly mistake. The basis for these irresistible pressures would be the anomalies which the proponents of disability income insurance would cite to justify universal coverage.

Here is a man aged 50 receiving a disability income, whereas another a year younger in a parallel situation does not. Another is a man aged 60, without dependents, receiving a disability income; whereas a disabled neighbor aged 40, with several dependents, receives no such income.

Again, a disability income is paid on account of a young man who became disabled before 18, but not on account of a young man who became disabled right after 18.

Anomalies of this kind would be cited by the thousands to bring about extension to any group not covered by the disability income provision. For that reason, I am convinced that once we start on the disability income insurance path, we shall end up with complete coverage. Congress has previously seen the unwisdom of that course, and in its place established the disability assistance, which is closely related to the vitally important work of the Office of Vocational Rehabilitation.

This dual program, which is largely supported by Federal grants-in-aid, has many positive features which, I believe, are worthy of much greater development than has been possible up to this time. In that connection, I warmly concur with the proposals made by Mr. John Miller, representing the life insurance business, in his testimony on February 14.

The key objective in a disability case should be the constructive one of rehabilitation and the return of the disabled person to productive activity. This Congress would make a great contribution to the solution of the disability problem if it would set in motion a process by which the vocational and other rehabilitation services of the country would be still further enlarged and strengthened.

Much was done by the vocational rehabilitation amendments in 1954, but still more remains to be done. As has been pointed out, this is especially true in the areas of the training of personnel and the provision of facilities.

Further progress in this direction would, in my judgment, be of much greater value to the long-run welfare of the country than a cash income disability program in connection with OASI.

I would like to emphasize that the fact of pronouncing a man as totally disabled and likely to remain so indefinitely, may be a hard blow psychologically. It would be far better to put him under the care of a rehabilitation agency where the whole emphasis would be upon returning him to useful activity.

For the good of all concerned, this step should be taken early in the history of the disability, and not necessarily after it has lasted 6 months. Delay can be harmful to the individual and very costly. I am speaking now of disability at all ages; not simply of the limited groups included in H. R. 7225.

The art of rehabilitation is making rapid progress. The time has come to provide it with additional means to expand and render much greater service than is now possible. In that connection, I was much

impressed by the thrilling testimony on February 16 of Miss Mary Switzer, Director of the Office of Vocational Rehabilitation.

During the period when a person is in the care of the rehabilitation agency, maintenance funds should be provided under a reasonable application of a means test. By "reasonable," I mean a test which does not seek to use up a person's assets, with the result that when he again becomes able to support himself he will have no resources left.

There will, of course, be many cases where rehabilitation will not be able to restore a person to the point where he can support himself. Although that may not be accomplished, there is a real gain if he can be enabled to care for his personal needs so that he may dispense with nursing care or release a bed for the use of someone else.

Where efforts at rehabilitation fail, the individual should be maintained under the disability assistance facilities in his own State. Thereby he will receive the particular type of care which his case indicates. That is most important in dealing with disability.

One of the strongest counts against including disability income benefits in OASI is that persons who pay social-security taxes come to consider that they have contract rights to receive benefit payments. Hence, if they believe they are disabled, they insist upon their rights to get on the benefit rolls; and once there, a large proportion will strenuously resist rehabilitation.

The feeling of security engendered by the receipt of the regular Government checks that may continue indefinitely, makes them more and more reluctant to risk getting into a position of having to compete in the labor market.

That is why it is so extremely important to use the rehabilitation-assistance program and never let the "secure income" attitude develop. It is a key consideration in attempting to solve the disability problem.

I might depart, if I might, from the testimony here to quote from a letter which Mr. John Miller, who appeared on February 14, received from Dr. Donald Munro, who is at the Massachusetts Memorial Hospital in Boston, the industrial rehabilitation and neurosurgical department. He says, in speaking from personal experience with some 600 civilian and some 300 veterans who were suffering from various forms of paralysis, it is his experience:

> * * * that cash payment to such patients as a recompense for their disability and as a method of promoting rehabilitation is not only a total failure but a definite and serious deterrent to the proper future activities and development of such patients. Such payments sap the patient of his initiative, lead to regression of symptoms and signs, deprives the patient of his habit of responsibility, prevent reemployment and first discourages and then prevents the patient from reassuring his previous proper and respected position in both his family and community life. No greater tragedy could happen to an individual in the need of rehabilitation than for the responsible members of the Government, whether municipal, State or Federal, to attempt to carry out rehabilitation by the award to the patient of cash payments that either are or could be under the control of the rehabilitable individual.
>
> There is no age limit to rehabilitation—a man or woman of 80 can and will have this attribute as often as or more often than a young person of 20 to 30 years. With proper teaching this rehabilitation can be activated to whatever degree the patient's basic or created physical capacity will permit. Enforced retirement because of disability at the age of 50 or above is a pure artefact.

Senator KERR. Pure what?

Mr. LINTON. Artefact. I wish he wouldn't use that 10-cent word. I think it means something based on imagination or a misinterpretation of the fact.

It is possible because the injured patient has been led to believe that he has no other course open to him. My experience definitely demonstrates that, if uninfluenced by pressure from those who are governed by the belief that money is the cure for all ills and especially if nothing is demanded in return for such financial gifts, all patients prefer to be taught how to bring their existing and personal urge for rehabilitation to a useable condition.

I trust these statements are clear to you and thus transmittable to others. I assure they have been well considered by me and have evolved over some twenty-odd years of study and thought about the problems that these patients are forced to face. They are not theoretical but are eminently practical.

To me, that was very impressive on this point.

Now, returning to the formal testimony, another count against a disability income provision in OASI is that among the millions of persons who would be covered would be hundreds of thousands—several millions if all ages were covered—who would be exceedingly poor disability risks. Many would be persons with marginal abilities whose holds on their jobs at best are precarious. With worsening economic conditions they would become unemployed and at once the prospect of obtaining a disability income would become most attractive. Do what one would, it would be found exceedingly difficult to keep improper cases from getting on the rolls. The life insurance experience amply demonstrates that.

In connection with the "insurability" characteristics of the persons covered by OASI, it should be noted that millions of women would be covered by the disability provisions. Women, as amply demonstrated by experience, are expensive disability risks. More than men, they are subject to types of disability which are exceedingly hard to evaluate and hence easy to simulate.

As employed women advance in age, there would be an increasing tendency for many to arrive at the state of mind where they would consider themselves proper candidates to be retired on disability incomes—especially if they have paid payroll taxes for disability income coverage.

This country would do well to avoid that problem, and by so doing save many headaches and a great deal of unjustified expenditures.

Senator KERR. Let me interrupt just a moment. I take it you are speaking here from the standpoint of social security, purely, in this program?

Mr. LINTON. This is directed to social security, you are absolutely right.

Senator KERR. "Women, as amply demonstrated by experience, are expensive disability risks."

I was hoping that would not be lifted from context.

Mr. LINTON. Well, the life insurance companies found that out, and I think we will find under the civil service retirement program, that women have had considerably higher disability rates than did men. I think that is general common knowledge, and I think it would occur right in this program, as well as in any other.

Senator BARKLEY. You are not intimating regardless of disability they are expensive risks.

Senator KERR. I just wanted to be certain that the witness' statements were addressed to this program.

Mr. LINTON. Yes, sir.

Senator KERR. I felt that was the case.

Mr. LINTON. Yes, sir.

Incidentally, the positive rehabilitation program would have two valuable byproducts. In the first place, it would be effective in detecting and correcting the points of view of persons who have brought themselves to the point of insisting that they are disabled and entitled to benefits; whereas in reality they are suffering from a weakening of the will to work and hence magnify their ailments. Cases like this are frequently difficult to detect without continued observation.

In the second place, rehabilitation procedures would discourage the filing of improper claims. Chiselers want an immediate steady disability income, not the searching analysis of a rehabilitation agency.

The disability "freeze" provision fits into this picture and protects a disabled person's status in the OASI program. It should by its nature be relatively simple to administer because the benefits of being declared disabled are so relatively remote and small that the incentives to file improper claims are greatly reduced. I mention this because the experience under the "freeze" provisions will be far more favorable than would be the case if an immediate disability income were at stake. How well the life insurance companies know the difference, especially when economic conditions slow down.

Despite the relatively simple problems of administering the disability freeze provisions, I believe it would be well for your committee to ask some searching questions as to how the plan is operating, whether or not the backlog of claims is increasing or decreasing, and how many persons have been certified as disabled, and so forth.

The cost of a disability income provision is very hard to estimate. The determination of disability involves so much discretion and personal judgment, that forecasts of costs are likely to be unreliable.

Mr. Robert J. Myers, Chief Actuary of the Social Security Administration, has done the best with the data available. However, as you know, he has clearly pointed out the pitfalls. In that he is right. He has also assumed continuance of high employment conditions and a tight, strict administration of disability benefits.

If these assumptions should not be realized—certainly they are not assured—the estimates could prove to be wide of the mark. Because of uncertainties of the underlying assumptions and of the firm belief that it will be impossible to hold the coverage to limited age groups, I am sure that the eventual cost would be heavy, probably in excess of 1 percent of payroll.

Furthermore, I believe it would be an unjustified threat to the OASI trust fund. I would feel the same way if the determination of disability were to be made by the Federal social security representatives rather than by State agencies as provided in H. R. 7225.

The conditions under which OASI benefits are now granted, except for the relatively minor disability freeze provision, do not involve discretionary judgment. They depend, as you well know, upon such factors as age, wage records, dependency, and marital status, all of which can be factually ascertained.

Senator KERR. Let me interrupt there. You have had a great experience in the life insurance business, haven't you?

Mr. LINTON. I have been there a long time.

Senator KERR. Is there such a wide difference between the OASI program as you are here describing it, with rather specific provisions and liabilities and benefits on the one hand, and a program which is

basically insurance for those completely disabled, that you feel to attempt to administer them both as parts of one program, might result in material decrease of the efficiency of both?

Mr. LINTON. You mean the disability program and the old-age program?

Senator KERR. Yes. Do you feel that they are so different in character, in possible liabilities, in the element of uncertainty of when benefits are payable, that regardless of the fact that you may make 2 parts of 1 program, they would still have to be administered as 2 separate and different programs?

Mr. LINTON. I think the administration would have to be entirely separate because there is such a great difference in the types of benefits.

They are connected here since they would, of course, be drawing upon the OASI trust fund. Therefore, in that respect, they are right together as far as the payments are concerned. But the administration is quite different because the OASI benefits are based upon facts you can get from the records.

Senator KERR. Do you figure that the operation of providing payments under the disability program is so uncertain of predetermination as to the cost and extent of liability that it might work out in such a way as to impair the degree of soundness which has been achieved with reference to the OASI program?

Mr. LINTON. I doubt that it would actually bankrupt, or anything like that, the present program.

Senator KERR. That was not the question.

Mr. LINTON. But I think that it would raise questions as to whether or not we were diverting funds unduly from the OASI program for old age.

Senator KERR. Well, to the extent that you did that, you would impair the OASI program, wouldn't you?

Mr. LINTON. Yes, it would impair it somewhat, but I would not want to magnify the great damage to be done.

Senator KERR. I don't want to magnify. I just want to know in your analysis of it, and from the standpoint of your experience in a similar program, you have the conviction that it would result in draining off funds from OASI to provide the benefits made available under disability provisions, and thereby impair that program?

Mr. LINTON. Yes; it would require an increase in the payroll taxes to offset that. If you increased the payroll taxes, then I think you could take care of the benefits.

Senator KERR. Have you given thought to the actuarial soundness of the proposal in the bill, with reference to the amount of increase that would be put into effect in payroll taxes to take care of the disability program?

Mr. LINTON. Yes.

I think Mr. Myers' estimates, as far as he can go with the data at hand, are probably fairly sound. But I think that it is very difficult to make any estimates as to what is going to happen in a program like this, where so many millions, if you should extend it all down the line, for example, so many millions are not good disability risks because they are marginal workers.

They are just the type of people who will come on the rolls at the first opportunity, if they can get there, and it is very difficult to esti-

mate what the cost is going to be when you have got a group like that.

Senator KERR. Then, if you were advising this committee, would you indicate to us the possibility or the probability that the most carefully worked out estimates or forecasts of that cost might prove to be an error, to a considerable degree?

Mr. LINTON. Yes.

I think they would tend to be on the low side. It is very difficult to know in a public program like this, with so many marginal risks, what the program is going to cost. You cannot use the life-insurance experience, because you don't have the poor risks in that group.

Senator KERR. Well, if, then, there is a serious probability that in working it out, in carrying it along in this program, it could require drawing off of funds from the general account, which is there to pay benefits in both classes, to where the OASI program could be impaired, would you think it might be wise for Congress to consider, if they were going to have a disability-insurance program, setting it up separate and apart from OASI?

Mr. LINTON. Since I don't like the disability, in any event, it is hard to answer that question. I expect there might be some advantages in separating it out. It would certainly bring the cost right out in the open, and would not load the cost over on the other people in quite the same way. You could not draw upon the trust fund.

You would have to pay the costs or else incur a deficit and have general funds appropriated to take care of the deficit. It would bring out the costs very clearly, but whether there would be a real gain in that is hard to say.

Senator KERR. Well, if we are going to undertake a program of disability insurance, I would think there is merit in attempting to do so on a basis that would not only permit but compel it to stand on its own bottom, and not permit it in any way to become a threat to the integrity of the OASI trust fund and program.

Mr. LINTON. I would think that that is a sound conclusion, although I would not want to, by saying that, indicate that I thought it was a good idea.

Senator KERR. I understand. I did not ask you the question on that basis. I asked you the question on the basis that if you were confronted with the certainty that Congress was going to provide a program, then would you advise this committee to make a separate program?

Mr. LINTON. Well, I think there might be a great deal of merit in that, but I really had not given it much though until you raised the question.

Senator KERR. It would seem to me that if your observations are sound, and I certainly am not questioning them because I have got not only respect for your experience but your integrity of position, that they would certainly indicate the consideration of such a course.

Mr. LINTON. It is a very interesting suggestion. I think it is one that ought to be very carefully explored.

Senator KERR. Thank you.

Senator BARKLEY. Let me ask you a question while you are diverted from your prepared statement.

In case of men or women, either, who are temporarily disabled, totally disabled, but think they are permanently disabled, and you

put them under a program of rehabilitation, and assuming for the time being they are disabled, incapable of earning money, would you provide any assistance for them during the period of rehabilitation?

Mr. LINTON. Yes, I certainly would, through Federal grants-in-aid and State money. I think it is most important that they should have maintenance during that period, terribly important that they should.

I would not exhaust the man's total resources so that he hadn't anything left. That would be most unfortunate.

Senator BARKLEY. It might be, some could be rehabilitated within 6 months or maybe a year.

Mr. LINTON. Correct.

Senator BARKLEY. During that period they would have to have some kind of support.

Mr. LINTON. They certainly would.

Senator BARKLEY. That is all.

Senator KERR. Senator Martin?

Senator MARTIN. On the preceding page, the bottom of your page 5, you make the statement:

> Because of uncertainties of the underlying assumptions and of my firm belief that it will be impossible to hold the coverage to a limited age group, I am sure that the eventual cost would be heavy, probably in excess of 1 percent of payroll.

How did you arrive at that?

Mr. LINTON. I discussed it with Mr. Myers, and he said he felt that that was a reasonable statement. I think his judgment in that would be as good as any one we could find, although, as I pointed out, he is using data which are not derived from the same class of people as a whole that would be included in this group of all workers, if you cover the waterfront.

Senator MARTIN. It is going to be necessary, then, for us to do some experimenting for a while, if we assume a program of this character. We don't have much actual information to base it on.

Mr. LINTON. No. And we have not had any experience in a field like this, as far as public programs are concerned, to any great extent in a period of the depression.

I am not sure how the Railroad Retirement and Civil Service worked in the depression. I know the life-insurance companies certainly got terribly hard hit, and we are convinced that this group of insured people would suffer very much in that regard.

Senator BARKLEY. Is it to be taken for granted that the disability provisions, as they are written into this bill, would not be self-sustaining?

Mr. LINTON. I would not like to say that they would not. I am inclined to think that the estimates are under the actual cost, especially if we went through a period of worsened economic conditions. That is when everybody tries to get on the rolls, if they think they have a chance of being considered disabled.

Senator BARKLEY. If it is not self-sustaining, it would have to impinge upon the other fund or be paid for by public appropriation?

Mr. LINTON. Unless you increased the payroll tax rate.

Senator BARKLEY. If he is disabled he is not on the payroll.

Mr. LINTON. No; I mean the payroll tax rates of other people.

Senator BARKLEY. That goes into the other fund.

Mr. LINTON. That is correct, but you might have to raise the tax rates to take care of the extra expense, or, as you say——

Senator BARKLEY. If a man is not employed through disability, he has got no wages out of which he can pay, and the employer is not required to pay anything because the man is not working.

Mr. LINTON. I did not mean the tax rates for the individual. I meant that you would have to raise the whole level of tax rates in the bill on everybody, in order to cover this extra cost.

Senator BARKLEY. That is all.

Senator KERR. All right, sir.

Mr. LINTON. Returning to the formal testimony the determination of disability under disability income insurance is a horse of another color. All kinds of pressures develop to get a person on to the rolls. Many come from relatives and friends who have an interest in supporting his claim to be disabled. "He needs the money. It will never be missed from a huge $20 billion fund." It will be an area in which Members of Congress will be importuned to have favorable consideration given to many claims that will turn out to be improper.

Much more could be said on this subject. I have concentrated on what I believe to be major points. It is my sincere hope that this country will avoid the essentially negative approach of disability income insurance, and instead develop and greatly strengthen the positive program of rehabilitation, plus disability assistance already in existence.

Reduction of eligibility age for women:

As has been pointed out in prior testimony, to reduce from 65 to 62 the age at which women would become eligible for OASI benefits would be to go against the tide of increasing longevity and improving physical conditions of people at the older ages. Both make it easier for women to continue longer in employment, and to secure employment at older ages.

As previous testimony has pointed out, the capabilities and attitude of older employed women have led many industrial and business organizations in recent years to raise the retirement age for women from 60 to 65. Why should the Federal Government seek to reverse that trend? Should private pension plans be altered to provide a younger retirement age for women, much additional money would be required that could better be used to provide more adequate pensions under current plans.

The claim that men are unable to retire after reaching age 65 until their wives have also reached 65, is not borne out by the study of Mr. Robert J. Myers. As you know, he found that in 1953, 98 percent of the men who retired appeared to have done so without regard to the receipt or nonreceipt of OASI benefits by their wives. The relative smallness of the problem would not seem to justify the proposed age change.

In the case of widows, I doubt also that there is justification for change. The basic philosophy of our social-security program has been that widows without dependent children should support themselves through employment. The great majority of widows will already be employed when they reach age 62. The greater vigor of older people today makes it easier than ever to hold a job. To make a major change in policy to take care of those widows who cannot find employment betwen 62 and 65 hardly seems justified.

For these reasons, I believe it would be unwise to incur the substantial additional taxes which the proposed age change would require. According to the estimates on the low-cost basis the change would require an eventual increase of 0.55 percent in the payroll taxes. On the high-cost basis, 0.80 percent. When the payroll taxes to meet other OASI costs go to higher levels, this additional burden would be unfortunate, especially since the benefits are relatively of so little real necessity.

The more I have thought about this suggested age change, the more I have wondered about the collateral consequences of giving the impression that Congress had specified age 62 as the beginning of "old age" for women. If this is carried over to old-age assistance, to the double exemption for older people under the income-tax law, and to the retirement income credit for older people under the same law, a Pandora's box of trouble could easily be opened which would involve much unwise expenditure of public funds, loss of revenue, or both.

To sum up, I believe the proposal to reduce the eligibility age for women from 65 to 62 would prove to be a costly mistake which the country would come to regret.

Senator KERR. Thank you very much, Mr. Linton.

Mr. LINTON. Might I add just a word?

Senator KERR. Yes, sir.

Mr. LINTON. I have been thinking that, on both of these subjects, I have in a sense come out with negative ideas. Is there anything that could be done with the OASI system that would be within reasonable range of cost and would, at the same time, do some good?

I have wondered whether you had given consideration to the possibility, instead of these two changes, of raising the minimum of $30 to $40, or something like that, in the OASI program.

This would apply to primary beneficiaries, to widows and to a number of children. It would apply to perhaps a million, or it might be a million and a half people.

The interesting thing about it is that the cost of that program would be almost covered by the gains that have taken place in the average taxable wage in recent years. That has gone up, and there has been a gain in the actuarial equivalence of the taxes and benefits. Therefore, it would probably require no tax increase to do it.

Many people on old-age assistance would be helped by this, and I think it might be worthwhile for you to look at that program, get the costs of it, and see what it would do, State by State, because it would certainly help a great many people who are just in the class that need it.

I would just like to throw that out as a possible thing to think about.

Senator KERR. Thank you, sir.

Senator BARKLEY. In that connection, we started out with a basis of $30, half to be paid by the Federal Government if the State matched it up to $30. We later added $5 on the part of the Federal Government, whether matched by the States or not.

Mr. LINTON. Yes.

Senator BARKLEY. And you think that it ought to be a minimum of $40, then, to be matched by the States?

Mr. LINTON. No; I am not talking now about old-age assistance. I am talking about the minimum in the old-age and survivors' insurance system.

In other words, no needs test would be involved. It would simply be an increase in the minimum from $30 to $40, or something like that. I think it might have considerable merit to study it.

I appreciate the opportunity of appearing before you.

Senator KERR. Thank you, sir.

We have a distinguished citizen here from the State of Utah, and on our committee we have one of Utah's great men, one of their Senators.

Do you want to present this next witness, Senator Bennett?

Senator BENNETT. Yes. Is Dr. Porter here?

Senator Kerr, this is Dr. R. O. Porter, of the Utah State Medical Association. I am very happy to present him to the committee, and I know we will enjoy what he has to say to us.

Senator KERR. Thank you, sir.

Good morning, Doctor.

STATEMENT OF DR. R. O. PORTER, PRESIDENT, THE UTAH STATE MEDICAL ASSOCIATION

Dr. PORTER. Good morning, sir.

Mr. Chairman and members of the committe, I am Dr. R. O. Porter, former professor of health and health education at Utah State College and former dean of the School of Medicine, University of Utah. I mention these positions to show that my background includes academic as well as professional experience.

I am now president of the Utah State Medical Association, and as such I represent the medical profession of the State and, in the main, this presentation represents the association's thinking.

It is altogether heartening to the rank and file to know that free democratic processes are still in operation, that there are statesmen in both parties willing to put the common good ahead of political expediency even in an election year, that free discussions and open hearings on controversial important issues are allowed, and, Mr. Chairman, we congratulate you on conducting your committee hearings on this high level of statesmanship.

The medical profession of the State of Utah desires to go on record before this body as being in favor of social security. We have always been in favor of public assistance of those in need and we have always supported the social-security principle and laws as enacted in 1935. Indeed, we have gone along with the liberalizing amendments that have been enacted into law since that time. However, we feel that the proposed amendments of 1955, known as H. R. 7225, present such a wide departure from the original concept that we are genuinely alarmed. The manner of the bill's presentation and passage by the House Ways and Means Committee and the House itself adds to our alarm.

We believe that before any more changes are made to our social-security laws the entire social-security structure should be scientifically, analytically, and actuarially studied by competent experts to determine if changes are needed; if so, what they should be, and point the direction we should follow. This study should determine the cost of the program and its economic impact upon our present and future economy. These things we do not know.

We believe that our past experience in this field, together with the knowledge of our ever-increasing longevity and the wealth of information compiled by insurance companies in the fields of disability and annuity insurance, could be used to evolve a sound and equitable law with fair and somewhat equal assessment of costs.

We believe it is unjust and unsound to give cash benefits for disability to generations that can pay but a small fraction of the costs, and to knowingly pass those costs on to future generations to pay. May not the eventual high costs actually destroy the system? Let's find the facts first, and legislate after the facts are known.

We are opposed to the provision of the bill that ties total disability to social security. The payment of high cash benefits for total and permanent disability would throw an impossible obligation and burden upon the medical profession. It is difficult enough under workman compensation laws to accurately determine the degree of disability where there is tangible, physical evidence of injury.

To include for doctor certification all types of intangible, nonconfining alleged sicknesses and mental and nervous disorders, alcoholism, rheumatism, headache, female pelvic disorders, and scores of other subjective complaints which cannot be proved or disproved would be to invite chaos. It would result in utter confusion, injustice, and bitterness and would encourage the patient to shop for the doctor who would give a favorable report.

We believe it would destroy incentive to work and incentive to rehabilitate for work among many people. The provision denying benefits to those who refuse rehabilitation is worthless, for where there is no will or desire to rehabilitate there will be no rehabilitation, regardless of word acceptance.

Our experience with recipients of total disability benefits from insurance companies among all classes of people is "once on the rolls, seldom off the rolls," even though skillful maneuvering is required in many cases to keep the certification.

At the present time there are no known standards for determining total disability, and the doctor would be caught in a squeeze between politicians, Government bureau administrators, and the patient and his friends. The decision would be extremely difficult and inaccurate if honestly made, because it would involve, in addition to all of the above-mentioned intangible mental and emotional factors, honesty, character, and willpower.

One example in my experience has been duplicated thousands of times throughout the country. If this bill is enacted, I am sure this case would be multiplied hundreds of thousands of times.

A tradesman 40 years old, making a good living, underwent surgery for a gastric ulcer 20 years ago. Not an uncommon condition. Many people are doing full work after half or two-thirds resection of a stomach for such a condition. He had life insurance with waiver of premium and noncancelable total disability benefits which amounted to or near his earning capacity. He has never worked a day at his trade since, although his wife, with his assistance, manages a couple of roominghouses. His training was in a sedentary occupation not requiring heavy work or worry. He was self-employed. His symptoms are all psychoneurotic, yet no doctor between my hometown and Rochester, Minn., has denied him certification. For many years he

has been honestly disabled psychologically and mentally. Yet others with identical handicaps—minus insurance security—have resumed their work and are living happy and productive lives.

We beg of you, do not take away a person's dignity, incentive, and will to work by the bait of security.

Permit the mention of one other case. I hesitate to do this because it involves me personally, and I mention it to let you know how a pensioner feels. For nearly 3 years I was disabled from a spinal injury requiring extensive surgery. For a year and a half I underwent rehabilitation treatment at my own expense and qualified for a limited office practice. By a little mental conditioning, which in spite of me was rapidly taking place, and a little exaggeration of symptoms which was becoming less difficult, I could have remained permanently on disability income. I swear to you gentlemen that to give up that security and go back to build up a new practice was one of the hardest decisions I have ever had to make. The difficulty was fear and the beginning of mental deterioration. The only reason, I am sure, I did go back was because previously my income had been sufficiently more than the sum of my pensions to give me some courage.

This brings up a few additional questions:

1. What are we now doing by local, State and National efforts for our disabled?

2. Can we not implement and increase those efforts without drastic changes now?

3. Has a state of emergency arisen suddenly?

4. Is there any reason to believe there will be an emergency in the near future?

At this point I want to present an article from the Salt Lake Tribune of February 15, 1956, 1 day before I left home.

I don't know, Senator Bennett, whether you saw this. I brought it along to give you.

Senator BENNETT. It can be accepted for the record.

Dr. PORTER. I think it should be put in the record.

Senator KERR. Very good.

(The newspaper article referred to, entitled "Welfare Outlay Dips $52,000 in Utah During 1955," is as follows:)

[Salt Lake Tribune, February 15, 1956]

WELFARE OUTLAY DIPS $52,000 IN UTAH DURING '55—FEWER RESIDENTS ON STATE ROLLS, COMMISSION CHAIRMAN REPORTS

With fewer Utahans on welfare rolls, the State welfare commission reduced public-assistance expenditures in 1955 by $52,000 below those of the previous year.

H. C. Shoemaker, commission chairman, reported Tuesday the reduction marked the first time in 5 years that expenditures had decreased from the previous year.

The total outlay for welfare purposes in 1955 was $15,039,458. The State footed 54 percent of the bill. Federal grants covered the rest.

Mr. Shoemaker pointed out that an average of 27,115 Utahans a month received welfare payments of one kind or another during 1955. This is an average of 378 fewer persons a month than the previous year.

THREE CATEGORIES DIP

The commission chairman said the decline occurred entirely in three categories:

1. *Old-age assistance.*—Down 1.2 percent (from 9,863 persons to 9,452), mainly because of continued enforcement of the lien requirement and the fact that social security is covering the needs of more and more older persons.

2. *Aid to dependent children.*—Down 2.2 percent (from 11,400 persons to 11,268), primarily because of abundant employment opportunities and concentrated rehabilitative efforts.

3. *Assistance to employable persons.*—Down 6.9 percent (from 2,627 persons to 2,401), because of generally vigorous economic conditions and the resulting active labor market.

OTHER AID GAINS

The remaining categories of welfare assistance—aid to the blind, disabled, unemployables and foster care—all showed increases over the previous year.

While the total number of welfare recipients declined in 1955, the average monthly payment to each of these persons increased in all categories except aid to dependent children, Mr. Shoemaker said.

For example, the average monthly payment to aged persons in 1955 was $59.62, up $1.77 a month from the previous year. Increases in other categories ranged from 37 cents to $1.91 a month. The average grant-in-aid to dependent children was down 32 cents a month.

COMPARES FIGURES

Following is a breakdown of the total grants made for the year, with 1954 figures in parentheses:

Old-age assistance, $6,762,773 ($6,846,442); aid to dependent children, $4,098,785 ($4,189,688); aid to blind, $183,408 ($170,213); aid to disabled, $1,379,660 ($1,298,500); unemployables, $693,370 ($686,713); employables, $589,001 ($632,685); foster care, $275,868 ($266,537); medical care and sight conservation, $26,159 ($24,314).

The commission also expended $184,095 ($169,887) for child-welfare services and commodity distribution, and $846,333 ($806,507) for administration costs.

Dr. PORTER. The headline, "Welfare Outlay Dips $52,000 in Utah During 1955":

Three hundred and seventy-eight fewer persons a month (receiving benefits) than the previous year.

Among the reasons given for this decline is concentrated rehabilitative efforts.

5. Should disability payments be made to disabled persons not in financial need?

We believe parts of this bill are bad, and if you will delay action until after a proper study and analysis has been made, legislation that will be a blessing to our people and our country can replace it.

We believe the costs involved if this bill becomes law may eventually kill social security. Even its ardent advocates admit it will cost as high as 9 percent of payroll. Acturial estimates put it much higher. I have seen estimates as high as 30 or 40 percent. I think nobody knows. Let's find out first. Let us make the best survey and review we know how.

I think I am not mistaken if I quote Senator Martin as of yesterday in saying that in his State of Pennsylvania the schools had decided upon a 14-percent tax, actuarially sound. If I am mistaken, I am sorry, but I believe that statement was made here from this rostrum.

The next question is frequenly asked: After that, what? Nobody can answer that, but I know it is in your minds, as it is in ours.

Thank you, gentlemen, for this courtesy.

Senator KERR. Thank you, Dr. Porter.

Miss May Bagwell, American Nurses' Association.

STATEMENT OF MAY BAGWELL, ASSISTANT EXECUTIVE SECRETARY, AMERICAN NURSES' ASSOCIATION

Miss BAGWELL. I am May Bagwell, an assistant executive secretary of the American Nurses' Association. I appear here today on behalf of the association, the national organization of registered professional nurses with over 177,000 members in 54 constituent State and Territorial associations.

Since 1944, the house of delegates of the American Nurses' Association has voted at each of its biennial sessions to promote the extension and improvement of social security. I appear here today to urge favorable consideration of providing old-age and survivors insurance benefits to totally disabled individuals below the age of 65, and favorable consideration of lowering the age at which women are eligible for benefits from 65 to 62 years of age.

In 1948, the Advisory Council on Social Security to the Senate Committee on Finance reported that the time had come to extend the Nation's social-insurance system to afford protection against loss of income from permanent and total disability. For a large part of our population there exists no protection, other than public assistance, from loss of income due to long term illness and disability. Persons must turn to relief programs for help in supporting themselves and their dependents, as well as for help in meeting the cost of medical care. This situation tends to degrade and to foster dependence upon public relief. Persons who make social-insurance contributions for a period of years, perhaps throughout their working lives, who become disabled before 65 years of age may derive no benefit during their lifetime from these contributions.

Few persons can save sufficient money to support themselves and their families during long periods of unemployment. Private insurance protection against long-term disability is costly. For the many permanently and totally disabled people who are not protected through special programs, the extension of contributory social insurance in this area would prevent hardship and degrading dependency.

For example, nurses employed in nongovernmental hospitals and self-employed nurses have little protection against income loss caused by total and permanent disability. Salaries have been traditionally low and nurses generally have not therefore been able to purchase insurance protection individually. Furthermore, the majority of nurses employed in nongovernmental hospitals are not covered by employer-instituted insurance plans which would cushion the shock of being suddenly faced with the loss of income resulting from total and permanent disability.

The ANA favors the proposed addition of a disability insurance program under the social-security system so that persons in nongovernmental employment may have protection under a Federal program similar to that which employees have under successfully operated Federal programs such as the railroad retirement system, the civil-service retirement system, and the programs of the armed services and the Veterans' Administration.

Every effort should be made to rehabilitate disabled persons to the highest possible degree of self-sufficiency and to return persons who are able to work to gainful employment. Congress has recognized

this in providing for vocational rehabilitation services. Social-insurance benefits during periods of long-term disability would preserve the worker's self-respect while supplying a measure of financial security and would increase the chances for successful rehabilitation.

The American Nurses' Association urges an extension of old-age and survivors insurance to meet the needs of persons who are unemployed for reasons of long-term illness and disability with provisions made to insure the maximum degree of rehabilitation.

Also included in the 1948 report of the Advisory Council on Social Security to the Senate Committee on Finance was the recommendation that the minimum age at which women qualify for benefits should be reduced to 60 years.

The American Nurses' Association believes that the provisions in H. R. 7225 reducing to 62 the age on the basis of which benefits are payable to certain women to be a much-needed improvement in the Social Security Act at this time.

In order that more beneficiaries may maintain more nearly adequate levels of living, wives should be able to claim benefits when their husbands retire. Older women who have had little or no work experience find it difficult if not impossible to secure employment. Older widows and dependent mothers of deceased beneficiaries find it practically impossible to enter employment if they have not been very recently employed. Especially is this true of professional nursing, where rapid changes in practice require the nurse to constantly refresh her knowledge, and where the work is often physically taxing.

In addition, many employed nurses at age 62 and after find it difficult to perform the strenuous tasks required in hospital nursing today on a full-time basis. If they could receive social-security benefits they would be able to continue working part-time and thus prevent a drastic reduction in their standard of living and at the same time help to meet the growing demand for professional nursing services.

To equalize the benefits for women in covered employment, the same qualifying age should apply. This would permit insured working-women who must retire at age 62 to claim benefits.

The American Nurses' Association urges this committee to act favorably upon the proposed lowering of the age at which women may become eligible to claim benefits under the social security system.

Senator KERR. Thank you very much, Miss Bagwell.

Dr. C. D. Swope, American Osteopathic Association.

STATEMENT OF DR. CHESTER D. SWOPE, CHAIRMAN, DEPARTMENT OF PUBLIC RELATIONS, AMERICAN OSTEOPATHIC ASSOCIATION; ACCOMPANIED BY L. L. GOURLEY, LEGAL COUNSEL, AMERICAN OSTEOPATHIC ASSOCIATION

Dr. SWOPE. I am Dr. Chester D. Swope, a practicing osteopathic physician and surgeon in Washington, D. C., and appear here as chairman of the department of public relations of the American Osteopathic Association. With me is Mr. L. L. Gourley, of Washington, D. C., legal counsel for the American Osteopathic Association.

We very much appreciate this privilege of presenting our views on H. R. 7225, cited as the Social Security Amendments of 1955, which passed the House on July 18, 1955.

I shall confine my remarks to the extension of OASI coverage provisions insofar as they relate to compulsory coverage of physicians of the osteopathic profession, and the provisions relating to disability insurance.

Extension of coverage:

During the July 1950 Convention of the American Osteopathic Association, the house of delegates declared "it is the established policy of the American Osteopathic Association that the profession not be included under the OASI program."

The Senate Finance Committee had adopted a similar position in reporting to the Senate the Social Security Amendments of 1949, on May 17, 1950, and doctors of osteopathy were expressly exclude in the final enactment of that bill, August 28, 1950 (Public Law 734).

Senator KERR. That is included in the group that was exempt?

Dr. SWOPE. Exactly.

The American Osteopathic Association is organized on democratic lines. Its policymaking body is the house of delegates chosen by the State associations with representation apportioned according to osteopathic population in the respective States. The house of delegates meets in annual convention. A board of trustees elected by the house of delegates constitutes the governing body between conventions.

In July 1953, the convention of the AOA House of Delegates endorsed OASI coverage on an individual elective basis, but did not relax its opposition to compulsory coverage.

It was pursuant to that policy that I had the honor to appear before this committee in July 1954 to advocate voluntary coverage and oppose compulsory coverage, in connection with the Social Security Amendments of 1954, H. R. 9366. On August 13, 1954, in discussing that bill in the Senate, Senator Walter F. George made the following statement:

> I want to add that the committee is anxious for all of the professional groups to come in when they manifest a clear desire to do so. That is the attitude of the committee. At one time we went so far as to put them in under a voluntary system, but there are objections to the voluntary system in a system of compulsory insurance so far as the workers are concerned. Therefore, we abandoned the idea and rescinded a vote that had been taken to put them in on a voluntary system, but with the full understanding that in the case of any profession, be it lawyers, doctors, dentists, or what-not, when we have a reasonable showing that there is a clear desire of the majority to come in, we will bring them in. That is the attitude of the committee.

On August 24, 1954, Senator George's statement was published to all the State associations by the AOA. We felt that the statement indicated that compulsory OASI coverage would not be visited on any self-employed osteopathic physician unless and until a clear desire of the majority of the profession to come in should be manifested.

With that understanding, the AOA board of trustees at its regular meeting in December 1954, expressly authorized the executive secretary of the association to conduct a poll of the AOA membership in any State upon the request of the State association on the question of inclusion in the OASI program. According to the 1955 Directory of the association, the association comprises 74 percent of the profession practicing in the United States (8,807 out of 11,942).

Only two States requested such a poll, namely, Iowa and Maine.

Out of a total AOA membership of 328 polled in Iowa, 23 voted in favor of compulsory coverage, and 140 voted against compulsory coverage.

Out of a total AOA membership of 149 polled in Maine, 4 voted for compulsory coverage, and 62 voted against compulsory coverage.

New Jersey conducted a poll of all doctors of osteopathy practicing in the State (AOA members and nonmembers), a total of 373, 12 of whom voted for compulsory inclusion and 18 voted against.

The February 6, 1956 issue of the Washington Report on Medical Sciences reported the results of a mail survey of the osteopathic profession in Oklahoma (a total of 346 doctors of osteopathy are practicing in Oklahoma), conducted by Senator Robert S. Kerr, in which 90 voted for compulsory coverage "if voluntary coverage cannot be provided in the law," and 39 voted against.

It will be observed that in the aggregate of the four polls above-mentioned, the profession voted 2 to 1 against compulsory inclusion (259 to 129).

H. R. 7225 amends paragraph 5 of section 211 (c) of the Social Security Act to exclude from OASI coverage "a physician (determined without regard to sec. 1101 (2) (7))."

The parenthetical limitation is intended to include in OASI physicians of the osteopathic school of medicine. In this connection, House Report 1189, to accompany H. R. 7225, states:

> The determination of who is a "physician" for purposes of the amended section 211 (c) (5) of the act would be made without regard to section 1101 (a) (7) of the act, which defines the term to include osteopathic practitioners.

We respectfully submit that the same considerations which warrant exclusion of physicians who are doctors of medicine are equally applicable for exclusion of physicians who are doctors of osteopathy, and, therefore, there is no reason for them to be treated differently under this legislation.

We respectfully request that the above-mentioned limiting phraseology, to wit: "(determined without regard to sec. 1101 (a) (7)," be deleted so that paragraph 5 of section 211 (c) of the Social Security Act, as amended, on page 21 of the bill will read as follows:

> (5) the performance of service by an individual in the exercise of his profession as a physician [(determined without regard to section 1101 (a) (7))] or as a Christian Science practitioner; or the performance of such service by a partnership.

The term "physician" as therein used would, therefore, be governed by the Social Security Act definition (sec. 1101 (a) (7)) which includes doctors of medicine and doctors of osteopathy.

For the same reasons, we respectfully request that the amended section 1402 (c) (5) of the Internal Revenue Code, page 31 of the bill, be amended by striking out the word "physician" and substituting in lieu thereof the words "doctor of medicine or a doctor of osteopathy," so that it will read as follows:

> (5) the performance of service by an individual in the exercise of his profession as a [physician] doctor of medicine or a doctor of osteopathy or as a Christian Science practitioner; or the performance of such service by a partnership.

The form of the above amendment is necessary because, unlike the Social Security Act, the Internal Revenue Code contains no definition

of "physician." The proposed amendment eliminates the ambiguous term "physician," which Webster's New International Dictionary defines as "a person skilled in physic or the art of healing," and which is variously defined in State statutes, and substitutes definitive language so necessary particularly in tax legislation.

DISABILITY INSURANCE

H. R. 7225 provides monthly benefits at or after age 50 to insured workers who are totally and permanently disabled. Benefits would be suspended in case of refusal without good cause to accept vocational rehabilitation.

Determination as to whether or not a person is totally and permanently disabled involves not only a physical examination to reveal disease processes and impairments of bodily function, but also psychological and emotional factors, including motivation and incentive. A disability pension could operate in many ways to stifle the will on the part of the individual to cooperate for rehabilitation and return to self-sufficiency. It could cripple the incentive which is an all-essential part in the rehabilitation processes, thereby prolonging or defeating effective rehabilitation, at the same time avoiding suspension of benefits.

Another most important factor which can militate against effective rehabilitation of the disabled beneficiary is the fact that he would be required, under the bill, to accept the services and advice of the particular rehabilitation service operative in his State acting under prescribed Federal standards, without any guaranty of choice of physician or therapy.

We believe that the ramifications of such a program are so extensive as to require protracted study in advance of its adoption.

Senator KERR. Thank you very much, Dr. Swope.

Dr. William Zucker, Commerce and Industry Association of New York City.

Tell the clerk if you are a doctor, or just "mister." We have it here on our list as "doctor."

STATEMENT OF WILLIAM ZUCKER, DIRECTOR OF STUDIES, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. ZUCKER. I am a doctor who does nobody any good. I am a doctor of philosophy.

Senator KERR. I will tell you right now, I hope you do them no harm.

Mr. ZUCKER. I try not to, sir.

Senator KERR. You may proceed, Doctor.

Mr. ZUCKER. Senator, I have a prepared statement which I would like to include in the record.

My name is William Zucker. I am director of studies of the Commerce and Industry Association of New York.

It is an organization of some 3,500 businessmen and business firms in New York City and in New York State. In order to save the time of the committee, I would merely like to pick out some of the highlights of the statement and proceed.

Senator KERR. That will be fine.

Mr. ZUCKER. First, with regard to coverage, the association has, for many years, urged universal coverage of all persons, both gainfully employed and self-employed. We have stated in past committee hearings that:

> Broad extension of coverage represents the soundest kind of liberalization of the program.

We approve of the additional coverage provisions of this bill. However, we urge upon this committee that the present exclusion of physicians be amended and that doctors be covered on a compulsory basis.

There are several reasons for this. First of all, industry is using an increasing number of physicians, and they are going in and out of covered employment. Where the doctor is employed by a private concern, he is covered for social-security purposes. When he goes into private practice, however, he is not. And therefore his benefits are reduced and, at times, survivorship provisions of the law are not available to his family.

Secondly, there is an increasing number of young doctors who are going into practice.

These young men, after spending 6, 7, 8, 10 years in their educational and professional training, can ill afford to provide for themselves and for their families adequate financial protection in case of premature death. I think it is most important that the families of these doctors be covered, both in terms of the survivorship provisions of the law and for their eventual retirement.

Now, with respect to the reduction of retirement for women, we urge that this provision be studied much more carefully than has been given by the House of Representatives through its adoption of this provision without adequate hearing.

Senator KERR. You think it has not been adequately studied, nor adequate exploration of it in public hearings conducted, to justify present inclusion in the bill?

Mr. ZUCKER. Exactly, sir. We feel that it would be a great disservice to the women of this country to put this disadvantageous form of discrimination upon them.

We feel that employees should be encouraged to stay in employment. Our association, for example, has worked with the New York State officials and the State legislature, in encouraging use of older workers in industry. Now, to lower the age for women would merely increase the efforts which would have to be made in order to keep them in employment.

Furthermore, Government and private pensions, union pensions, are geared to age 65 for both men and women. It would create many complications in the programs as they exist today.

And, finally, as Mr. Myers has already indicated, only 3 out of 10 couples will benefit by this proposal, and he has estimated that of the men claiming benefits at 65, only one-fifth had wives 65 or older, while one-half had wives younger than age 62.

The suggestion has already been made that the retirement age for women be lowered to 60. This provision will only be an entering wedge. Our association would no more recommend, for example, the support of the retirement of women at age 62 than we would, for example, propose or support putting Senators out to pasture at age 65. Everyone should be encouraged——

Senator KERR. If you can convince the Senate of the similarity of principle, you will be very effective in your recommendation.

Mr. ZUCKER. With regard to the disability benefits at age 50, it appears to us that there is a great need for studying the experience under the 1954 disability freeze amendments before cash benefits for the disabled are considered. There are going to be many, many problems involved, both administratively and medically, which are most serious in determining how disability benefits are to be paid.

I would not want to say that this is a calculated plan—perhaps it is, by the proponents—to start with disability benefits paid at age 50, and then to urge decreasing ages.

But at the present time this bill discriminates between workers who are disabled and under age 50, and those who are disabled and over age 50. But even more importantly, our association is quite concerned with the very term "disability."

You have already heard from a number of doctors and their concern with this term. Our association has been, for the past 5 years, conducting an extensive examination into the workmen's compensation program of New York State, and we have published a number of volumes under the supervision and guidance of some eminent authorities in the field of workman's compensation, and one of the volumes has been a study of low back pain in industry.

It was conducted by Dr. Henry Kessler, the international authority on rehabilitation, and an eminent orthopedic surgeon. His conclusions, by the way, are most interesting here. He studies 160 typical low back cases in workman's compensation, and his study revealed, in his terms "the bankruptcy of medical diagnosis," and also that 80 percent of the cases are characterized by the presence of an anxiety state rather than the deterioration of a lumbar disk.

Dr. Kessler stated that—

> although all the tools of medical science were available and used, these cases were characterized by isolated and one dimensional observation, by luxurious waste and conspicuous consumption of medical talent. There was no essential difference between the type of diagnosis arrived at by the specialist and that by the general practitioner.

Dr. Kessler concluded that a prominent feature of all the cases studied was the prolonged period of disability and the lengthy administrative process. Report after report, he said, emphasized the lack of objective evidence to corroborate the subjective complaints of the patient.

When we think of these disabilities we immediately think of the paraplegic, the man who has lost an arm, or the one who has lost a leg.

But the more important cases—and this has been very evident in workman's compensation—have been those complaints which are subjective in nature, in which there are no objective findings whatsoever, the low back pain, the headaches, and those cases which are based on neuroses.

These will be compensated for by this provision, if it were to be enacted. It is that type of case which is so difficult for analysis in workman's compensation, with which, as one doctor has already stated, the medical profession and the administrators have had more than 40 years of experience.

These are the cases which are so hard for evaluation, and here we are throwing them all in for benefit payment regardless of whether the disability is work-connected or not.

In workman's compensation there has been a somewhat distressing experience with rehabilitation in this whole field. It has been said that the worst curse of the workman's compensation system has been the inability and the failure of the statutes to require that a worker, in order to obtain his benefits, must use the rehabilitative services.

Our own association in New York has been attempting to foster the use of rehabilitation and to amend the workman's compensation law in order that we get a good rehabilitation provision in the New York law, and I am sorry to state that we have met with obstacles from the most unexpected sources.

Rehabilitation should be fostered by industry, and also, industry must be encouraged to employ the physically handicapped. These ends industries are presently attempting to reach, and the States are encouraging industry, by setting up rehabilitation services in the States.

We feel that this program of disability benefits should be left to the States, where adequate provision for the disabled is now provided. Industry must be aided in the approach of using the physically handicapped and not of providing pensions which will keep these persons from gainful employment.

Our own association has suggested several times that it would be well that there be a comprehensive study by this committee, by any group, which would be under the direction of Congress, which would look into the whole field of social welfare and social insurance programs, the costs and its benefits, to determine whether there are not some alternatives which might permit the integration of all the social insurance programs in this country.

Next, with regard to the disabled children, 18 years and older. We are sympathetic with the problem and approve, in principle, aid to widows with dependent children who are permanently and totally disabled. However, although concerned with the method of solving this problem, we believe that such age should not be part of the social security program.

What appears on the face to be a children's benefit, actually in its mature form becomes a disability benefit to anyone who is permanently disabled beyond age 18. And it is conceivable, for example, that a 30-year-old male, totally disabled before age 18 could qualify for benefits, whereas a 30-year-old male married and with two children, who becomes disabled at age 30 would not be able to qualify for any benefits.

There is one point which I would like to bring up to this committee, although it is not a part of this bill, and request that your committee study it, and that is with regard to the elimination of the quarterly reports.

I know that this committee has given some study to this idea, and we are very hopeful that we could have a resolution of this problem so that all reporting for OASI purposes would be on an annual basis, similar to the manner in which the self-employed are presently reporting.

It is not necessary for employers to give these quarterly reports, it is not necessary for the OASI administration to have these quarterly reports. It would be a saving on both sides.

Finally, with regard to the increase in the tax rate, we strongly favored in the past, and we do now, the system of financing on a pay-

as-you-go basis. The bill, as passed by the House, will result in social-security program paying out more in benefits than the amount of taxes.

We feel that this would be a grave error but, in addition to that, we caution this committee of this fact, that if, for example, the social security taxes were to increase to the rate proposed in 1975, the benefits remain pretty much the same, and the income-tax rates at fairly much what they are today, a self-employed person with an income of $4,200 in 1975 will pay more in social-security taxes than he would for his income taxes.

In fact, his social-security tax would amount to more than 20 percent of his taxable income. This is a tremendous burden which is being placed upon him. We merely caution the effect of this constant liberalization upon the individuals in this country.

Thank you very much.

Senator KERR. Thank you very much, Doctor.

Your complete statement will be put in the record.

(The prepared statement of Mr. Zucker, in full, is as follows:

STATEMENT OF THE COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

By William Zucker, Director of Studies

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 a 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, and disability benefits.

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-security 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, it behooves the Congress to provide in this law a basic minimum of economic protection.

We approve, therefore, the extension of coverage to those groups cited in H. R. 7225.

We do not, however, favor the exclusion of physicians as provided in the bill passed by the House. All professional persons who are self-employed should be covered.

2. Reduction in retirement age for women

The bill, as passed by the House, provides that social-security payments would begin at age 62 instead of 65 for women workers who retire, for wives of retired workers, and for widows.

We urge that before this provision is enacted a serious study, as recommended by Secretary of Health, Education, and Welfare Marion Folsom, be made as to the relationship of this proposal to the increases in population in the future, the growing longevity of men and women, and its effect on the objectives of the social-security program.

At the present time we have a population of 167 million. By 1975 it is estimated that our population will increase to 221 million, and by the turn of the century may be well over 300 million. The population of those 45 years of age and older has grown since 1900, twice as fast as the population as a whole has increased. Those over 65, a small proportion of the total population in the past, has also increased due to the advance in medical science. There are now 13.7 million persons in this group (8.2 percent of total population), and it is believed that this number will increase to approximately 20 million by 1975. The percentage of those 62 and over will also increase proportionately to total population. Of those over 62, the number of women is larger because women live 6 years longer than man by natural average.

The original purpose of old-age and survivors insurance was to provide income to aged workers and their survivors. Age 65 was selected as the point at which benefits for the worker would start. This, in effect, created a definition of old age or an aged worker.

The presumption was that few workers could continue in employment beyond that age and therefore that they must have the support of insurance benefits. Nothing that has happened since the law was enacted suggests that workers, either men or women, reach old age earlier. On the contrary, all indications point toward a lengthening of working life. The percentage of workers in the 45-to-65-year age bracket is now more than in 1940. There is certainly no indication of a need to lower the age limit. Rather an increase in this age would seem more in order if any change is to be made.

It should be noted that OASI benefits are labeled "insurance." It is a sound insurance principle that earlier retirement on an optional basis should be accompanied by an actuarial reduction in the benefits paid. Such, however, is not proposed in this case. As a consequence, high costs result. Since no one would be naive enough to believe that this will be the last age reduction proposed, it seems obvious that, without actuarial reduction, tremendous and wholly unwarranted costs will result.

Nothing should be done by Congress to stop this trend of hiring the older worker. To maintain our economic supremacy in the competitive world markets and keep abreast of the needs of a rising population, the skills of the older worker may be used. It will not be sound for the younger worker in the future, through an ever-increasing tax rate on his salary paid by himself and his employer, to pay for the retirement of a larger and larger segment of our population who can work and are available for employment.

We believe that the enactment of this provision will defeat the goal for hiring the older worker for the following reasons:

1. Lowering the age of women to 62 will cause a discrimination against the men. To overcome this discrimination, it will result in the reduction of the retirement age as well.

2. Company, industrial, voluntary, or Government pension plans have grown at an accelerating rate. They are geared to the Social Security Act as to the age of retirement. Lowering the age to 62 will result in many complications in these various types of pension plans.

3. Social-security benefits plus company pension plans have resulted in a larger number of workers retiring each year at age 65. In 1950 only 18 percent of all persons who reached 65 received OASI benefits. Four years later (June 1954) this percentage increased to 36 percent. Lowering the age to 62 both for social security and company pensions will facilitate compulsory retirement or induce voluntary retirement at this early age, contrary to the national interest.

4. Companies will hesitate and not be encouraged to hire the older worker.

Other types of discrimination also will result:

1. Lowering the age to 62 for wives of retired workers will cause a discrimination against those with wives under 62. In fact, only 3 out of 10 couples will benefit by this proposal according to the Chief Actuary of the Social Security Administration. He estimated that of the men claiming benefits at 65, only one-fifth had wives 65 or older while one-half had wives younger than 62. This discrimination will cause a demand in the near future to pay benefits to wives regardless of age. Senator Neuberger has already urged this committee to lower the eligibility for women to 60 instead of 62. He said there are as many wives between 60 and 62 with husbands at the retirement age as there are between 62 and 65.

2. A reduction in the age for working women will make it more difficult for them to obtain and keep jobs on a fair basis with men. This will work a severe hardship on these women who are out of work through no fault of their own.

We understand that the National Federation of Business and Professional Women's Clubs has recognized this problem and has gone on record as opposed to the lowering of the retirement age for women to 62.

3. There is no real significance in reducing the retirement age to 62 for widows when there are many younger. The next demand will be made to pay benefits to all widows regardless of age or dependency.

The primary purpose of reducing the age of women to 62, is to create a demand for a still lower retirement age, to encourage the retirement of women at a lower age, and the earlier retirement of men who have younger wives. We do not believe that these purposes will be for the general good and welfare of the people of this country. The loss of buying power and the discouragement of hiring the older worker may, in the future, seriously affect the economy of our country. Before this provision is enacted, we believe that a careful study should be made to ascertain the cost in the future, based upon a population estimate, and its effect on the objectives of our social-security program.

3. Disability benefits at age 50

The bill as passed by the House provides that a monthly payment will be made to workers 50 or older who cannot engage in any substantial gainful activity because 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. This provision for disability benefits is a continuation of the trend established by the 1954 amendments when Congress provided for a freeze of social-security credits earned by a worker who becomes disabled before the retirement age of 65. We opposed that amendment before your committee. Our fears that this liberalization was a forerunner of the present proposal passed by the House have been justified.

It appears to us that there is a need to acquire experience under the 1954 disability freeze amendment before cash benefits to the disabled are considered. We understand that under the 1954 amendment State and Federal officials in certain instances have not reached agreement on administrative procedures and proper controls necessary for successful operation. Administrative, medical, rehabilitation and control problems where disability benefits are paid are far more serious than those involved in a mere freezing of rights to a benefit due in the future. We believe a successful operating experience under the 1954 amendment is a primary requisite before cash benefits are paid.

It could well be that this is part of a calculated plan by the proponents of this bill to start with disability benefits at age 50, and then next year urge that disability benefits be paid to all disabled workers regardless of age. The provision as drawn discriminates between workers under and over 50 and it will be asserted that need for disability benefits for those under 50 is just as great or greater for those over 50. After this, the next step would be elimination of the provision which would reduce benefits to a disabled person under OASI when receiving workmen's compensation or similar payments. Where this trend will stop nobody knows.

We are greatly concerned as to how the term "disability" is defined by this bill. It is not limited to those totally and permanently disabled. As defined, low back pain, cases based on neuroses and disabilities predicated on subjective complaints will be compensable. Many such cases last 5 years or longer and the question will be presented, as in workmen's compensation cases, when, if ever, such disability ceases. Proof to establish disabilities will no doubt be based on a sympathetic medical statement of the claimant's own physician who, in most cases, would be a general practitioner. The Government will have to decide who is genuinely ill and who is not. Government specialists will necessarily be designated to enter into this decision-making phase. At this point, some standards for medical care and tests will also be established. With a Government agency determining who is disabled and whether they have made a genuine effort to be rehabilitated, it is easy to see how they could use this route to increase Government paid medical service and to regulate standards of medical treatment.

The term "substantial gainful activity" is not defined and it may be liberally construed to mean any wage less than that previously earned. No earning test is provided which will reduce benefits similarly to those who retire between the age of 65 and 72. We fear that the wages a claimant may earn plus his social security benefits will be more in many cases than the prior earnings of the claimant.

This dangerous risk proposed for the social security program may also result in additional compensation during a period of depression or a temporary set-

back. It is a well-known fact that private companies lost hundreds of millions of dollars during the depression on their disability insurance policies. Additional millions of dollars in benefits would also result during such periods because a very liberal construction would undoubtedly be given to the term "disability" in order to assist such claimants to obtain benefits. Disability benefits would be given as a form of unemployment insurance and socialized medicine would be the result.

We concur with Secretary Folsom and his predecessor, Oveta Culp Hobby, that preliminary studies are advisable before disability benefits are enacted into the law. At present such benefits raise serious actuarial problems and nobody knows what effect they will have on workmen's compensation, unemployment insurance, State temporary disability programs, private, union, and voluntary health plans. It may well destroy the present program of hiring the handicapped worker and defeat rehabilitation rather than help this program. These benefits alone or additional benefits from other programs may well destroy the will to work. It is a well-known fact that a pattern of neurotic behavior, based on symptoms that are psychogenic, will develop after staying away from work for a length of time.

It is, of course, true that in order to be eligible for benefits under the disability provisions of the bill the claimant must agree to rehabilitation. There has been a long and somewhat distressing experience with rehabilitation in workmen's compensation. It has been said that the worst curse of the workmen's compensation system has been the inability and failure of the statutes to require rehabilitation as a condition for continuing workmen's compensation cash benefits for permanent and total disabilities. What has occurred in workmen's compensation has been a drain on the economy due to the financial costs and loss of manpower because rehabilitation has not achieved its maximum usefulness.

The Commerce and Industry Association has been endeavoring to promote the adoption of a well-working system of rehabilitation in New York State and we have met with obstacles from the most unexpected sources.

Rehabilitation should be fostered and the use in industry of the physically handicapped increased. These the States and industry are doing. The problem, particularly in workmen's compensation, is to have lost-time cases referred to rehabilitation immediately after the disability occurs rather than foster the payment of benefits.

At present there is, in fact, no need for disability benefits. In 1949, a disability benefit provision passed the House but was rejected by the Senate. At that time Congress established a Federal and State program of disability assistance for the needy. Forty-three States and the Federal Government spent $145 million for such assistance last year. Four States, in addition, provided temporary disability benefits for off-the-job illnesses and accidents.

States and cities under the program for disability assistance take care of those who are now without funds to care for themselves. This is a program which is best handled as part of the public assistance work now managed by the State and local governments under the Federal and State programs for assistance to those who are disabled. The use of a case worker to determine the need of the disabled workers is, in our opinion, the best approach. We urge, therefore, that this present program be continued and that this provision not be enacted.

At the present time, a number of industries throughout the country are already carrying disability benefit plans. With the enactment of the proposed legislation, the problem of integrating private and government benefits might lead to the elimination of the private plans. It would seem more practicable to allow the gradual development through private industry to continue in accordance with the needs of the industry and ability to pay rather than have such plans imposed on industry as a whole by the Government.

4. Disabled children 18 years and older

Under the existing law, a child's benefits end when the child reaches 18. This bill will continue the monthly social security payments to a disabled child who reaches 18 and thereafter.

We are certainly sympathetic with the problem and approve in principle aid to widows with dependent children who are permanently and totally disabled. However, although concerned with the method of solving this problem, we believe that such aid should not be made a part of the social-security program. States and cities now take care of this problem on the basis of need and not of right.

We fear the need to rehabilitate these children will no longer be considered necessary by State and local governments if this provision is enacted. The result may be that such individuals may never have the initiative to engage in gainful employment.

The provision also discriminates against other disabled workers. Permitting disabled children over 18 to obtain benefits and denying them to others who have been in the labor market will seem unfair to these individuals.

What appears to be primarily a children's benefit is actually in its mature form a disability benefit to anyone permanently disabled before age 18. It is conceivable that a 30-year old male, totally disabled before age 18 could qualify for benefits under this section, but a disabled 30-year old male, married and with children, would receive nothing. Next year, if this is enacted, we might see Congress requested to extend disability benefits to all regardless of age.

State and local governments now have the organization to handle this type of claim. They can determine the character and the need. We urge that these payments be left in their hands.

5. Elimination of quarterly reports

The Commerce and Industry Association strongly urges that the Senate in this bill 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 No. 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.

6. Increase in the tax rate

We strongly favored in the past, and do now, a system of financing based on "pay-as-you-go." The bill as passed by the House will result in the social-security program paying more out for benefits this year than the amount received for taxes.

For example, it is estimated that benefit costs will increase the first year from $5,855 million to somewhere between $6,446 million and $7,835 million. During this period tax collections would increase from $5,080 million to $6,400 million. The number of persons receiving monthly social-security benefits has gone from 963,000 in December 1944 to 7,643,000 last July. The number drawing benefits will be accelerated in the future not only by the increase in population of the older age group but also by the liberalization in the benefit structure of this bill. This may well result in another tax increase on both the employer and his employees.

Liberalization in the benefit structure of the social-security program, if this bill is passed, will by 1975 cause a hardship on those who are self-employed. The small merchant, the young professional man, and the farmer, yes, even many employees will pay more taxes in the future for social security than they will for the Federal income tax. For example, if the net income of a self-employed individual is $4,200, he will pay a Federal income tax, under present rates, of $281 on the short form, assuming he has a wife and 2 children and takes the standard deduction. At the same time the social-security tax will be $283.50, or more than 20 percent of his taxable income.

We believe that the ultimate goal of those who support the liberalization of benefits under this bill may be the "Minimum Standard for Social Security" adopted by the International Labor Organization a few years ago with the

support of the Government and labor delegates from the United States. The ILO program includes old-age and survivors benefits on a level higher than we have now, disability benefits, weekly benefits for unemployment for any reason, benefits for maternity leave, monthly payments for each dependent child, lump-sum job-separation pay and compulsory self-insurance. It is estimated that this program will cost a minimum of 25 percent and possibly 35 percent of payroll. South American countries, which have adopted much of the ILO program, now have payroll taxes as high as 25 percent and in France the rate is now about 35 percent.

The members of your committee should consider whether or not they desire to start this trend in social legislation for the United States. If it is so determined and the wheels are set in motion toward such an end then the results may endanger our present prosperity and cause us to lose our leadership of the free world in our fight against communism.

Lastly, we believe that greater and greater liberalizations in this program can only lead to the saddling of our children and grandchildren with an excessive tax burden which we are not willing to bear currently.

Senator MARTIN. I wonder if you could give us a compilation showing how you arrive at that conclusion.

Mr. ZUCKER. This way, Senator: A person with a $4,200 income—I should have said he is married and has 2 children—would receive $2,400 deduction for dependents, on the short form, and then a $420 standard deduction, leaving $1,380 as his net taxable income.

The amount of social-security taxes, as a self-employed person in 1975 would be 6½ percent; is that right?

Senator KERR. He did not say that his social-security tax would be greater than his benefits from social security?

Mr. ZUCKER. No.

Senator KERR. He said that his social-security tax——

Senator MARTIN. Would be 20 percent.

Mr. ZUCKER. Would be more than 20 percent of his taxable income, sir.

Senator MARTIN. His taxable income would be about $1,300.

Mr. ZUCKER. And his social-security tax would be $283.50.

Senator MARTIN. All right. That is near enough.

Senator KERR. At what age was that, doctor?

Mr. ZUCKER. That is in 1975, when the tax rate goes into effect and reaches 6½ percent, sir.

(See letter, p. 840.)

Senator KERR. Thank you very much, doctor.

We will recess until 10 o'clock in the morning.

(By direction of the chairman, the following is made a part of the record:)

STATEMENT OF DR. WINGATE M. JOHNSON, OF BOWMAN GRAY SCHOOL OF MEDICINE, WINSTON-SALEM, N. C.

PROPOSED SOCIAL-SECURITY AMENDMENTS [1]

The longest step yet taken toward the complete socialization of this country was the action of the House of Representatives on July 28, when H. R. 7225 was rushed through the House without public hearings, under a procedure banning amendments and limiting debate to 40 minutes.

This measure would make all workers covered by social security eligible for monthly benefits if they are totally and permanently disabled at or after the age of 50; it would lower the age at which women are entitled to old-age insurance benefits from 65 to 62; it would extend monthly benefits for permanently and totally disabled children beyond the age of 18, and expand compulsory social-security coverage to all self-employed professional groups except physicians. And a most important amendment would increase the tax rate for self-employed

[1] Published in the North Carolina Medical Journal for December 1955.

persons by three-fourths percent every 5 years until a maximum of 6¾ percent is reached by 1974. For employed persons the rate would be increased for both employer and employee by one-half percent—from 2 to 2½ percent—until by 1974 it would reach a maximum of 4½ percent for each, or a total of 9 percent of the employee's gross income.[2]

The minority report of the committee pointd out that the tax was on a gross, not a net income, and hence would eventually be the equivalent of a net income tax of 20 to 36 percent of a self-employed person's income of $4,200.[3]

The majority report of the Ways and Means Committee qualifies the statement that "Your committee has always very strongly believed that the system should be actuarially sound" by saying, "The concept of actuarial soundness as it applies to the old-age and survivors insurance system differs considerably from this concept as it applies to private insurance.[4]

To a plain, blunt, nonpolitical doctor these statements are contradictory. Just why should an agency of the Federal Government expect to have a more fortunate experience than did life-insurance companies in handing out cash benefits to those certified as totally and permanently disabled? The Honorable Noah H. Mason, in his statement, said that—

"In the past when public hearings were held on the question of providing disability benefits under the social-insurance system, members of the medical profession, insurance-company representatives, and others who have had actual experience in administering disability insurance have strongly warned against the dangers inherent in this approach. These people are anxious to be heard before the Nation is committed to a program of disability-insurance benefits, but they have not been given an opportunity. This is a further reason why final action should not be taken without public hearings." [5]

Although the administration of the bill's provision would come within the province of the Department of Health, Education, and Welfare, the advice given the committee by the then Secretary of the Department was completely ignored. In a letter to the Honorable Jere Cooper, chairman of the Ways and Means Committee, Mrs. Hobby [6] urged strongly that "a thoroughgoing review and inquiry into the issue raised by the confidential draft of the committee's report on H. R. 7225 are essential." She then raised a number of questions which needed to be answered before any change is made in the social-security system, and said that—

"Within the administration, we have not had an opportunity to make a study of the proposals contained in the confidential draft bill, and have particularly not had an opportunity to solicit the views of groups and individuals outside of Government." [7]

Dr. J. Duffy Hancock, chairman of the Social Security Administration Medical Advisory Committee, in a letter to Mr. Rosswell Perkins, Assistant Secretary of the Department of Health, Education, and Welfare, said that he was "very much opposed" to the proposed measure, and that with 2 or possibly 3 exceptions the entire committee concurred in his opposition." [8]

Although Mrs. Hobby's letter was dated June 21 and Dr. Hancock's July 3, both in ample time for consideration by the Ways and Means Committee, they were evidently ignored when the committee railroaded its bill through the House on July 28.

Fortunately, the bill cannot be enacted into law until it has been passed by the Senate. Senator Harry Byrd, chairman of the Senate Finance Committee, which will consider the bill, has promised that public hearings will be held. It is to be hoped that every doctor will write his Senators and every member of the Finance Committee, and at least express the hope that the whole question be reviewed carefully before future generations are saddled with the crushing tax load that the passage of H. R. 7225, would make inevitable.

It might also help to let one's representatives know that he was remiss in his duty when he allowed Mr. Cooper to violate the rules of common decency as well as of democracy in forcing through such an important measure without a public hearing. Representatives Deane and Durham were not present when the vote was taken, but all the other North Carolina Representatives voted in favor of the

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[2] Social Security Amendments of 1955. 84th Cong., 1st sess., H. Rept. 1189 (to accompany H. R. 7225).
[3] Ibid., p. 62.
[4] Ibid., p. 11.
[5] Ibid., p. 69.
[6] Ibid., p. 58.
[7] Ibid., p. 60.
[8] Ibid., p. 65.

bill. Evidently they were impressed, as were the signers of the minority report, with the "undoubted political attractiveness of all of its proposals"—but they should have also agreed with the conclusion of the minority report:

"We do not, however, believe that our committee has discharged its obligation to either the Congress or to the American people by its brief and closed-door consideration of this vital legislation. We have sought to point out the grave social and economic implications of the bill. We have dwelt at some length upon the staggering ultimate costs of this developing program because we do not believe that either the Congress or the public has any conception of its magnitude.

"It is our earnest hope that the questions we have raised will lead thoughtful citizens everywhere to search for the answers. The social-security system was created to give our people confidence and faith in their future. It should be above politics." [9]

CONFERENCE OF STATE SOCIAL SECURITY ADMINISTRATORS,
Nashville, Tenn., February 24, 1956.

Hon. HARRY F. BYRD,
Chairman, Senate Finance and Taxation Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR BYRD: Reference hearings on H. R. 7225 before the Senate Finance Committee on Wednesday, February 22, 1956, presented by Dr. William Zucker, Commerce and Industry Association of New York, concerning changes in the Federal social-security system.

On page 10, section 5, title "Elimination of Quarterly Reports," the Commerce and Industry Association, Inc., strongly urges that the Senate, in this bill, give consideration to the reporting of OASI program on an annual basis.

The Conference of State Social Security Administrators, consisting of State representatives administering the social-security program for the States and Territories, went on record by resolution, unanimously opposing annual reporting for the States and Territories.

The first duty of the administrators is to represent the interests of the State governments—they further recognize that the proposed annual reporting would incline toward (1) the loss of State control without reducing State liability, (2) the loaning of State credit toward its political subdivisions, and (3) violation, in many instances, with existing State law.

Please understand we do not oppose annual reporting for private industry, since there may be merit in their argument that annual reporting would save private industry both time and cost. However, should industry's request be looked upon with favor, we respectfully request that States and Territories be allowed to continue reporting on a quarterly basis for reasons set out above.

Your earnest consideration to this request will be greatly appreciated.

Respectfully,

W. T. BLAIR,
Chairman, Legislative Committee.

(Whereupon, at 12:20 p. m., the committee recessed, to reconvene at 10 a. m., Thursday, February 23, 1956.)

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[9] Ibid., p. 67.

SOCIAL SECURITY AMENDMENTS OF 1955

THURSDAY, FEBRUARY 23, 1956

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

The committee met, pursuant to recess, at 10:05 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman), presiding.

Present: Senators Byrd, George, Long, Frear, Barkley, Martin, Carlson, and Williams.

Also present: Senator Wiley; and

Elizabeth B. Spring, chief clerk.

The CHAIRMAN. The meeting will come to order.

The Chair recognizes Senator Wiley to introduce the first witness.

Senator WILEY. Mr. Chairman and members of the committee, I want to say to the chairman that my purpose is not to present any cheese at this time to you but to present a "big cheese" from Wisconsin. I have the privilege of presenting to the committee Attorney Robert Murphy, of the first of Murphy, Gavin & Stolper, of Madison, Wis.

Mr. Murphy appears as a citizen, a lawyer, and an attorney for the State Medical Society of Wisconcin. I want to say that he has an enviable reputation in his community. He is a man of fine character, and he is a man who for better than 25 years has been interested in representing the State Medical Society, and he is very happy to appear at this time to testify in relation to the matter before the subcommittee.

And I want to say that I appreciate the opportunity of presenting him to you gentlemen.

The CHAIRMAN. Mr. Murphy, will you come forward and take a seat, please?

STATEMENT OF ROBERT B. MURPHY, STATE MEDICAL SOCIETY OF WISCONSIN, MADISON, WIS.

Mr. MURPHY. My name is Robert B. Murphy. I reside and practice law in Madison, Wis. I am attorney for and appear here upon the authorization of the governing body of the State Medical Society of Wisconsin, an organization of more than 3,200 physicians. I am also appearing on my own behalf as a practicing attorney.

To save this committee time, and with your permission, I would like to summarize portions of my statement, but to have the privilege of its full contents being made a part of this record. And I make such a request at this time.

The CHAIRMAN. Without objection, that may be done.

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Mr. MURPHY. I deeply appreciate the opportunity of appearing before you on this important legislation. As an attorney and as one who works with substantial groups of professional and business people, I also appreciate the thoroughness with which a committee as busy as yours is considering this bill, for I am well aware that these hearings are demanding and time-consuming.

It is in pleasant and significant contrast to the almost incredible legislation history of this same bill in the House. You deserve, and I hope you will receive, the thanks of all thoughtful people for your efforts.

As it happens, my acquaintanceship with the Social Security Act is not recent. It began in the year of its passage in 1935. Clients began at that time to ask my opinion as to how the law affected them. I have followed the law and its amendments rather closely ever since, and I am still rendering opinions on that act, including some which are not formally requested, or always wholly complimentary. Since 1950, I have been concerned over a number of problems which I believe have come primarily out of the amendments to the act made in that year and in 1954, rather than from its original provisions.

I shall state some of them briefly. In doing so I shall rely largely on figures, not so much for their own sake, but because they are illustrative of what I believe is the changed philosophy of social security.

It has become clear, for example, that by virtue of the 1954 amendment to this act, present primary beneficiaries that have already collected or will collect, unless benefit are reduced, approximately $60 for every dollar they have contributed to the social security fund. The 1954 study released by the House Ways and Means Committee indicated in one of its sections that individuals and families will in some cases receive several hundred times their contributions.

And all of that leads me to my first major point, namely, what I consider the topsy-turvy financing of social security.

First of all, the rates charged have been inadequate, not for benefits paid to date, but for the sum of such benefits, plus the obligations incurred to date. Government actuaries estimate incurred liability as of this date around $280 billion dollars, a figure so vast that all it has for comparison is the national debt which is approximately the same size.

It is not certain that even the increased rates provided in H. R. 7225 will allow the setting aside of any reserve for incurred liabilities payable in future years. Second, inadequate as rates have been, they have risen substantially since 1949. Yet those paying them have not the slightest assurance, nor have their families, of getting benefits proportionate to their contributions, particularly in the case of people under 40, for the reason that larger benefits, and new kinds of benefits to present beneficiaries have taken so many of their dollars and may shortly take more besides. The retired segments of the population, and other beneficiaries of the act, are retiring virtually free at the direct expense of those who are still working and who are required to make ever-increasing payments.

This simple fact of the necessity for more funds probably explains in large part why the proponents of social security expansion are so insistent on extending coverage, particularly to those whose earnings are consistent. In that way they can tap all possible sources of rev-

enue, and all sources are and will continue to be needed if the social security ditch is dug both wider and deeper at every session of the Congress. I refer, of course, to the substantial increase in benefits or extension of coverage provided by congressional action in 1950, in 1952, and again in 1954.

My next point is that the social security system has created a dual system of income taxation. The expansion of benefits and the extension of the social security system into new fields has been financed through what is in effect a dual income-tax system. There is one important difference, however, between the often maligned Internal Revenue Code and the social security taxing provisions.

The former permits deductions and exemptions of various kinds, and even excludes certain types of income. The social security taxing system is based on gross earned income. The terms of H. R. 7225 would impose a higher tax on more than half of the Nation's families which earn $4,200 a year or less, than does the Federal income-tax law.

This basic problem of the cost of the program is very well treated in the minority report of the Committee on Ways and Means submitted in connection with H. R. 7225 under date of July 14, 1955. I refer you in particular to pages 62–64 of that report. Some portions of the text of the minority report phrases the problem better than anything else I have seen and I quote from it the following excerpts, relating to a discussion of the higher tax rates proposed by bill H. R. 7225; as they appear at pages 62 and 63:

> As high as these future rates are, the rates themselves do not convey a complete picture of the true burden which they involve. The tax on wages is a tax on gross wages without any allowance for personal exemptions, dependents, or other deductions. The tax on self-employment income only permits certain business deductions, such as depreciation. It is, in effect, a tax on adjusted gross income. Therefore, unlike the income tax, the social-security tax is not limited to net income. As a result, that tax, as a percentage of net income, is substantially higher than the actual rates would indicate. In fact, the eventual 6¾ percent rate on the self-employed would be the equivalent of a net income tax in the neighborhood of 20 percent and higher in many cases.
>
> Let us take the example of a farmer with a net income from self-employment of $4,200 in 1975. Assuming that he has a wife and 2 children and uses the standard deduction, his Federal income tax, under present rates, will be $276. His social-security tax, on the other hand, will be $283.50. In this example, which is a completely average case, the social-security tax, as a percentage of net taxable income would be in excess of 20 percent. If the same individual had 3 children, his income tax would be cut to $156 but his social-security tax would still amount to $283.50. In such a case, the latter tax would be the equivalent of a net income tax of 36 percent. We again point out that this would be an ordinary case and not at all an unusual one.
>
> It is estimated that in 1975 the total social-security tax collections will approximate $20 billion annually, a colossal sum. Moreover, this estimate assumes continuation of existing wage levels and makes no allowance for the increase in those levels which past experience indicates will occur. The $20 billion estimate, is, therefore, extremely conservative.
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> We are concerned over this fact, moreover, because by their very nature, the liberalizations contained in this will create demands for additional changes involving further costs. For example, the bill provides benefits for the disabled children of a deceased worker. This liberalization is, in itself, highly desirable and involves very little cost. Once enacted, however, how long can the Congress deny equivalent benefits to a widow who is likewise permanently and totally disabled? The bill provides for the payment of cash disability payments to workers once they have reached the age of 50. How long can Congress deny equal treatment to permanently and totally disabled workers who are totally disabled workers who are 49, 45, or younger. This bill provides retirement benefits to women on attaining age 62 even though the statistics show that women

retire only slightly earlier than men. How long can Congress refuse to lower the retirement age for men?

We do not cite these problems as criticisms of the provisions of the bill. One cannot deny the serious need of many disabled people or elderly women. On the other hand, we have pointed out that the costs projected under the provisions of the bill are so great as to preclude serious additions to those costs in the future. At the same time we have created the basis for further liberalization which it will be almost impossible to refuse. That is the dilemma which we are creating for ourselves.

We are further concerned over these ultimate costs because of the danger that they may eventually weaken or even destroy public acceptance of the social-security system. A social-insurance program cannot be expected to provide against all insurable risks. It must be designed to provide a basis protection at a cost within the reach of all, especially those in the lower income brackets who are in most need of that protection. Despite this fact, we are creating a scale of benefits which must be supported by a social-security tax which, in the not too distant future, will be equal to and in many cases higher than the Federal income tax.

In the past few years we have brought into the system on a compulsory basis millions of self-employed individuals. We now propose in this bill to extend coverage on the same basis to many other self-employed, such as lawyers and dentists. Many of these people have felt that the benefits of coverage are conjectural at best. We raise the question of whether future social security tax rates may not entirely undermine the attractiveness of the system to them.

As added authority on this point, I quote a paragraph from the statement made before your committee on July 26, 1955, by a distinguished friend of the social-security system, Mrs. Oveta Culp Hobby, at the time Secretary of the Department of Health, Education, and Welfare. She stated and I quote:

3. The OASI system is becoming a more costly one (with 8 percent combined employer-employee tax already projected at the end of 20 years). Under H. R. 7225, the combined tax would be 9 percent at the end of 20 years. Thus, as pointed out in supplemental views in the House committee report accompanying H. R. 7225, the social-security tax projected under the bill for the self-employed—6¾ percent—will, in the case of a self-employed person with a wife and 2 children who earn $4,200 or less annually, actually exceed the Federal income tax imposed on such an individual. The system could lose its attractiveness, particularly for many self-employed persons, if additional cost items are added without the most careful evaluation of the benefits they confer. The OASI system cannot be expected to provide fully against all insurable risks if the tax is to be kept at a rate which can be borne by persons in the lower income brackets. Every additional item of cost must be considered with the greatest care.

I wish also to read to you a small portion of what I understand was the first policy statement on the Social Security Act offered by Secretary Folsom after he succeeded Mrs. Hobby. He is quoted as having said last fall in the course of a dedication address at the University of Syracuse:

Our social-security system has remained sound because Congress has rejected proposals that might weaken or destroy it. We must always be careful that proposals for new benefits will preserve the essential justice and strength of the system. We must remember there is a limit to the social-security taxes the people may be willing to pay to support the system in all the years ahead.

Until 1951, social-security taxes were leveled only on the first $3,000 of earnings. During the next 4 years that amount was increased to $3,600. Effective in 1955, it was increased to $4,200. Rates have risen even faster than the taxable pay bases, and I suppose that no one seriously contends that the end is in sight. There has been an unmistakable shift of the incidence as the tax to the higher income groups, which ordinarily have other personal and family protection.

In this connection I recall legislation offered in the State Legislature of Wisconsin in 1949, which would have established a compulsory nonoccupational time-loss insurance system controlled solely by the State. It imposes a tax without income limits. Thus a person earning $50,000 a year, who is quite unlikely to be unemployed, had to pay into the State fund on that gross income. This bill is reported to have been known to and have had the support of at least some elements in the Social Security Administration in Washington.

I cite that bill because, without claiming any powers of prophecy, it is my prediction that a major and inevitable result of the continued rise in benefits and extension of coverage into new fields, of which H. R. 7225 is an example, will be the removal of any ceiling on income limits for those compelled to contribute to the act. I can well understand the determined effort which has been and is being made to bring the remaining segments of the self-employed under H. R. 7225. I assume that if the bill were to pass in its present form, physicians would be brought under its terms as soon as was deemed expedient. The reason is a perfectly simple one. Self-employed professionals are by and large good risks in terms of selection, health, and self-sufficiency. It has been estimated that by adding the remaining professions to the Social Security Act another $100 million a year would be brought into the coffers of the social-security fund. If nothing else, this can help reduce the deficits which appear to lie ahead. It will also give the same professional groups that much less money to spend for genuine security through the purchase of private insurance, annuities, Government bonds, and other forms of real savings.

It seems to me that only three options are open to the Congress, and more particularly at this time, to you distinguished gentlemen who make up the Senate Committee on Finance. They are:

A pay-as-you-go policy. This would take far more in social-security taxes than have now been levied but would educate people to the direct costs of this legislation. They might begin to wonder whether it was worth what it really costs. I think it significant that both Government and private actuaries have agreed that the social-security system, whatever its merits, does not provide an individual as much protection per dollar of social-security taxes as that same number of dollars would provide in private insurance. One authority has estimated that to put the benefits on a sound basis the present rate of 2 percent each for employer and employee should be trebled for workers over 50, and doubled for those between 35 and 50.

Another estimates the rate should be 25 percent to prepare for the years when full benefits are due. Mr. Benjamin Kendrick, research associate of the Life Insurance Association of America, and an acknowledged authority, estimates the ultimate cost of the entire social-security program, if put into effect under the ILO minimum standards, which this and similar legislation parallels, at 30 percent to 40 percent of taxable payroll.

Thus far the taxes raised by the Social Security Act have more than paid benefits, although they have not sufficed to establish more than a negligible fraction of the reserves which are needed for incurred liabilities. Statements made to you last summer by Mrs. Hobby, and more recently by actuaries from the Department of Health, Education,

and Welfare, estimate that the benefits of H. R. 7225 will cost, over and above present benefits, an average of more than $2 billion a year, and will tend to increase another half billion in about 25 years.

The estimate of the majority of the House Committee on Ways and Means is that the increased rates provided in the bill will raise about $1,360 million. It thus appears that a deficit may result from enactment of H. R. 7225, considered wholly on a cash basis. On a reserve basis, this is unquestionably true, as it has been of the social-security system for some years past.

Some authorities have concluded that by reason of the failure of the Congress to raise social-security rates between 1939 and 1950, and the failure to raise them adequately since then, there was an implied assumption of the deficit and complete abandonment of any attempt at actuarial soundness of the social-security fund.

In my opinion, the only sound position to be taken at this time is to analyze what has happened to the social-security system since its enactment and try to set a sound course for the future. Certainly until that has been done no benefits should be increased and no new categories of beneficiaries created.

Nowhere have I seen the necessity for taking stock at this time better phrased than in the final paragraph of that portion of the minority report of the House Committee on Ways and Means dealing with the costs of H. R. 7225. The report states, and I quote from pages 63 and 64:

> Finally, insofar as the cost of this program is concerned, we should take sober warning that, in our zeal to provide ever greater benefits and to provide against an ever wider area of need, we do not destroy the very system which we have created. We have succeeded in avoiding the full impact of the cost by shifting most of the burden to the future. At that time, the high tax rates may make it very difficult to retain the contributory principle which we believe so essential to the program. However, we would be deluding ourselves should we believe that the general revenue could be depended upon to support the system. We have already pointed out that, under the present schedule, social-security tax collections in 1975 will amount to about $20 billion, assuming no further changes in the law.
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> If such a vast sum were financed through the individual income tax, for example, it would necessitate approximately a 50 percent across-the-board increase in that already burdensome tax. These figures show clearly the magnitude of the problem we are so casually creating.

And my final point, gentlemen: H. R. 7225 is only one of approximately 250 bills introduced in the 1st session of the 84th Congress to amend the Social Security Act. I make no claim that I have read all of these bills, but I have understood that they are all, or virtually all, designed to increase benefits, broaden coverage, or create new categories of beneficiaries. The friends as well as the foes of the social-security system are greatly concerned over this very trend. This is evident from statements I have earlier quoted, which were made by Mrs. Hobby, Mr. Folsom, and the minority report on this very bill.

In 1935, the Social Security Act was explained and was phrased basically as a device for enforced savings made by employees and their employers during periods of employment. It was explained that these savings would be available on the retirement of that worker at the age of 65. Not the least purpose of the bill was to ease the worker off the labor market by age 65, so as to make way for younger men because jobs were still not too plentiful in that year. Since then survivorship insurance has been grafted onto the act. It is estimated that

today the social-security system writes a third more "insurance," non-technically speaking, than all the life-insurance companies.

There are recurring indications from the very number of bills pending that the trend is to make other major graftings onto the Social Security Act. You must not let this act become natural grab-bag for every social or personal problem which can get your attention. The original purpose of the legislation will be overwhelmed by all these accretions, if that continues.

I think it worthy of emphasis that the life of the Social Security Act has coincided with the period during which the largest work force in the free world has enjoyed the best-sustained and the highest compensated employment in the history of this or any other nation. The act can thus not be said to have been under any such strains as accompany periods of sustained economic recession. Yet, what is the fact? The appalling fact is that the total of incurred and partly accrued liabilities of the social-security fund to the living population, or to its children, born or unborn, who are entitled under present law to be its beneficiaries, is estimated at $280 billion.

Tragically enough, this figure coincides with the published figure of the national debt. But, whereas the United States Treasury announces the amount of the debt under its jurisdiction, and the general population has some awareness of it, little publicity is given to the unpublished social-security debt which is of equal size.

It is true that the social-security debt is not all due today; neither is the Treasury debt. It is true that unlike the Treasury debt, the social-security debt is partly contingent, and that the Congress can reduce social-security liabilities by eliminating or reducing benefits. Any such effort would be most bitterly fought, it goes without saying.

Fortunately, the implications of the social-security system for our economy are becoming better understood. Increasing numbers of voters have begun to realize that the social-security fund currently contains about $21 billion, and that this is less than the benefits to those who are now receiving a pension. They are beginning to realize that the fund is only 7½ percent of incurred and partially accrued liabilities. I think you may shortly expect an increasing number of inquiries as to what you propose to do about closing this gap. Up to now, you have apparently been hearing primarily from those who wanted a bigger and better free ride.

Just before concluding, I wish to refer you to the position taken by the house of delegates of the American Medical Association at Boston on December 1, 1955, with reference to the social-security system as a whole and the provisions of H. R. 7225 in particular. The resolution provided in part:

Resolved, That the American Medical Association urge and support the creation of a well-qualified commission, either governmental or private, or both, to make a thorough, objective, and impartial study of the economic, social, and political impact of social security, both medical and otherwise, and that the facts developed by such a study should be the sole basis for objective nonpolitical improvements to the Social Security Act, for the benefit of all of the American people; and be it further

Resolved, That the American Medical Association pledges its wholehearted cooperation in such a study of the social security in the United States, and will devote its best efforts to procuring and providing full information on the medical aspects of disability, rehabilitation, and medical care of the disabled * * *

The above position I think is as timely as it is sound. As I close, I should like to leave with you an exceptional statement of the real issue underlying the extension of the social-security system. It was made by Mr. Folsom at the dedication address at Syracuse University, to which I made earlier reference. He said, and I quote:

> I hope we will never accept the philosophy that the one and only best answer to every one of our problems and needs is automatically more and bigger Federal Government. There should be Federal concern, yes. But the people should always consider whether it is Federal action that is most needed, and whether Federal action actually would be the most effective. The people should consider whether individual effort and private enterprise, or local or State government close to the people, can accomplish more real and long-range results for all of us. * * *

I thank you for the opportunity of appearing before this distinguished committee, and for your courtesy in allotting me this time.

The CHAIRMAN. Thank you very much, Mr. Murphy.

Senator LONG. You pointed out that only 7 percent of the liabilities of the social-security fund are actually funded. I am not sure whether I agree with you on the figure. My recollection was that Mrs. Hobby testified last year that the estimated liability under the fund was $200 billion, against which we now have accumulated a trust fund of $25 billion. So it would appear to me as though it would be more in the nature of 12 percent.

Mr. MURPHY. Those figures, Senator, were given some 6 or 8 months ago, and since then the testimony offered by your own actuaries—I have abstracts of it—have increased that figure to $280 billion, and the fund, which was only estimated last July, was believed $20,700 million as of the end of November. And those are figures from the Health, Education, and Welfare.

Senator LONG. Personally, I am one of those who questions the desirability of trying to raise a fund of $280 billion or $500 billion, as some people suggest. I don't see how we could ever get to these estimates of $500 billion unless we increased the Federal debt. Where are we going to find the security for it?

Mr. MURPHY. That is only a part of the problem. The fact remains that these obligations are going to become due, and there lies the critical side of it.

Senator LONG. Don't we have just about as many obligations presently existing under the Veterans' Administration? My recollection is that the general estimate is that after every war, when you have paid off all your veterans' obligations, including your obligations to widows and children, you usually have spent several times on veteran benefits what you have spent in fighting the war. Are you familiar with that?

Mr. MURPHY. Generally familiar.

Senator LONG. We haven't tried to fund those veterans' expenditures, we have tried to pay for them year by year out of revenues.

Mr. MURPHY. The statutes do not make the mistake of calling it insurance. And 60 million people aren't contributing to it. It is something given through annual appropriations of Congress. It isn't misnamed "insurance," and it isn't called contributions. There is a payment for the GI life, but not for the veteran's benefits.

Senator LONG. I have always questioned in my mind whether we should attempt to operate the Federal Government as though it were

a private insurance company. It seems to me as though we could do better to accept the obligations to pay these pensions—which is what we have done in the long run, if anyone thinks we have funded the security for these obligations they should take a look at the funds—but it does seem to me that we should take a—Senator Martin, a Republican member of this committee, suggested that we raise sufficient contributions to pay it on a pay-as-you-go basis.

I wonder if that would appeal to you, or should we raise this figure of $280 billion, or some such amount of money?

Mr. MURPHY. That can't be raised, obviously. The question is whether to put the system on a pay-as-you-go basis. It would be a general shock if it were done at one time. It would take several times the rates being charged. I believe you were not present when I read those figures, but I had them in the course of my statement.

Senator LONG. I believe somebody testified yesterday that we have collected around $46 billion, out of which we have paid out in benefits around $25 billion, something like that. We have only paid about half as much as we have collected in actual payments that would go in the fund. Are you familiar with that?

Mr. MURPHY. Your figures are approximately correct, as I understand them, Senator.

Senator LONG. Therefore, it would seem to me that we could have done a lot better for these needy—not necessarily needy, but these insured—we could have paid large benefits if we took the attitude that those who are paying today are paying the benefits for those who are receiving them, and when they advance to older years they will make their contributions to pay the others who have since retired.

Mr. MURPHY. The question, Senator, is whether by adding at the rate of 1 or 2 or 3 billion dollars a session to the fund it is going to be possible to stop that momentum once it has gathered force, and it can be such an overwhelming thing that it will even dwarf the income-tax laws. That has been stated in the Ways and Means minority report last year, and in other authorities.

The CHAIRMAN. Thank you very much, Mr. Murphy.

(The complete prepared statement of Mr. Murphy is as follows:)

STATEMENT OF ATTORNEY ROBERT B. MURPHY

Mr. Chairman and members of the committee, my name is Robert B. Murphy. I reside and practice law in Madison, Wis. I am attorney for and appear here upon the authorization of the governing body of the State Medical Society of Wisconsin, an organization of more than 3,200 physicians. I am also appearing on my own behalf as a practicing attorney.

I deeply appreciate the opportunity of appearing before you on this important legislation. As an attorney and as one who works with substantial groups of professional and business people, I also appreciate the thoroughness with which a committee as busy as yours is considering this bill, for I am well aware that these hearings are demanding and time-consuming. It is in pleasant and significant contrast to the almost incredible legislative history of this same bill in the House. You deserve and I hope you will receive the thanks of all thoughtful people for your efforts.

As it happens, my acquaintanceship with the Social Security Act is not recent. It began in the year of its passage in 1935. Clients began at that time to ask my opinion as to how the law affected them. I have followed the law and its amendments rather closely ever since, and I am still rendering opinions on that act, including some which are not formally requested, or always wholly complimentary. Since 1950, I have been concerned over a number of problems which I believe have come primarily out of amendments to the act made in that year and in 1954, rather than from its original provisions.

Among the provisions of H. R. 7225, are those to continue monthly benefits to children who become totally and permanently disabled before age 18; to begin monthly benefits after age 50 to totally and permanently disabled workers; to lower the retirement age for women from 65 to 62; and to extend coverage to 7 or 8 professional groups now excluded. While I shall try to develop the financial complications of this trend in fuller detail later in this statement let me say here that this is expecting double duty of the same tax dollar—a dollar which is already insufficient and a dollar which is not being contributed by the present beneficiaries of the act. It is clearly established that present beneficiaries are already collecting, or will collect, unless benefits are reduced, approximately $60 for every dollar they have contributed to the social-security fund.

I should like to refer briefly to what I consider the topsy-turvy financing of social-security activities. First of all, the rates charged have been inadequate, not for benefits paid to date, but for the sum of such benefits, plus the obligations incurred to date. Government actuaries estimate incurred liability as of this date around $280 billion, a figure so vast that all it has for comparison is the national debt, which is approximately the same size.

It is not certain that even the increased rates provided in H. R. 7225 will allow the setting aside of any reserve for incurred liabilities payable in future years. Second, inadequate as rates have been, they have risen substantially since 1949. Yet those paying them have not the slightest assurance, nor have their families, of getting benefits proportionate to their contributions, particularly in the case of people under 40, for the reason that larger benefits, and new kinds of benefits to present beneficiaries, have taken so many of their dollars and may shortly take more besides. The retired segments of the population, and other beneficiaries of the act, are retiring virtually free at the direct expense of those who are still working and who are required to make ever-increasing payments.

This simple fact of the necessity for more funds probably explains in large part why the proponents of social-security expansion are so insistent on extending coverage, particularly to those whose earnings are consistent. In that way they can tap all possible sources of revenue, and all sources are and will continue to be needed if the social-security ditch is dug both wider and deeper at every session of the Congress. I refer, of course, to the substantial increase in benefits or extension of coverage provided by congressional action in 1950, in 1952, and again in 1954.

The expansion of benefits and the extension of the social-security system into new fields has been financed through what is in effect a dual-income-tax system There is one important difference, however, between the often maligned Internal Revenue Code and the social security taxing provisions. The former permits deductions and exemptions of various kinds, and even excludes certain types of income. The social-security taxing system is based on gross earned income. The terms of H. R. 7225 would impose a higher tax on more than half of the Nation's families which earn $4,200 a year or less, than does the Federal income-tax law.

This basic problem of the cost of the program is very well treated in the minority report of the Committee on Ways and Means submitted in connection with H. R. 7225 under date of July 14, 1955. I refer you in particular to pages 62–64 of that report. Some portions of the text of the minority report phrased the problem better than anything else I have seen and I quote from it the following excerpts, relating to a discussion of the higher tax rates proposed by bill H. R. 7225, as they appear at pages 62 and 63:

"As high as these future rates are, the rates themselves do not convey a complete picture of the true burden which they involve. The tax on wages is a tax on gross wages without any allowance for personal exemptions, dependents, or other deductions. The tax on self-employment income only permits certain business deductions, such as depreciation. It is, in effect, a tax on adjusted gross income. Therefore, unlike the income tax, the social-security tax is not limited to net income. As a result, that tax, as a percentage of net income, is substantially higher than the actual rates would indicate. In fact, the eventual 6¾-percent rate on the self-employed would be the equivalent of a net income tax in the neighborhood of 20 percent and higher in many cases.

"Let us take the example of a farmer with a net income from self-employment of $4,200 in 1975. Assuming that he has a wife and 2 children and uses the standard deduction, his Federal income tax, under present rates, will be $276. His social-security tax, on the other hand, will be $283.50. In this example, which is a completely average case, the social-security tax, as a percentage of net taxable

income, would be in excess of 20 percent. If the same individual had 3 children, his income tax would be cut to $156 but his social-security tax would still amount to $283.50. In such a case, the latter tax would be the equivalent of a net income tax of 36 percent. We again point out that this would be an ordinary case and not at all an unusual one.

"It is estimated that in 1975 the total social-security tax collections will approximate $20 billion annually, a colossal sum. Moreover, this estimate assumes continuation of existing wage levels and makes no allowance for the increase in those levels which past experience indicates will occur. The $20 billion estimate, is therefore, extremely conservative.

"We are concerned over this fact, moreover, because by their very nature the liberalizations contained in this bill will create demands for additional changes involving further costs. For example, the bill provides benefits for the disabled children of a deceased worker. This liberalization is, in itself, highly desirable and involves very little cost. Once enacted, however, how long can the Congress deny equivalent benefits to a widow who is likewise permanently and totally disabled? The bill provides for the payment of cash disability payments to workers once they have reached the age of 50. How long can Congress deny equal treatment to permanently and totally disabled workers who are 49, 45, or younger? The bill provides retirement benefits to women on attaining age 62 even though the statistics show that women retire only slightly earlier than men. How long can Congress refuse to lower the retirement age for men?

"We do not cite these problems as criticisms of the provisions of the bill. One cannot deny the serious need of many disabled people or elderly women. On the other hand, we have pointed out that the costs projected under the provisions of the bill are so great as to preclude serious additions to those costs in the future. At the same time we have created the basis for further liberalization which it will be almost impossible to refuse. That is the dilemma which we are creating for ourselves.

"We are further concerned over these ultimate costs because of the danger that they may eventually weaken or even destroy public acceptance of the social-security system. A social insurance program cannot be expected to provide against all insurable risks. It must be designed to provide a basic protection at a cost within the reach of all, especially those in the lower income brackets who are most in need of that protection. Despite this fact, we are creating a scale of benefits which must be supported by a social-security tax which, in the not too distant future, will be equal to and in many cases higher than the Federal income tax.

"In the past few years we have brought into the system on a compulsory basis millions of self-employed individuals. We now propose in this bill to extend coverage on the same basis to many other self-employed, such as lawyers and dentists. Many of these people have felt that the benefits of coverage are conjectural at best. We raise the question of whether future social-security tax rates may not entirely undermine the attractiveness of the system to them."

As added authority on this point, I quote a paragraph from the statement made before your committee on July 26, 1955, by a distinguished friend of the social-security system, Mrs. Oveta Culp Hobby, at the time Secretary of the Department of Health, Education, and Welfare. She stated and I quote:

"3. The OASI system is becoming a more costly one (with 8 percent combined employer-employee tax already projected at the end of 20 years). Under H. R. 7225, the combined tax would be 9 percent at the end of 20 years. Thus, as pointed out in supplemental views in the House committee report accompanying H. R. 7225, the social-security tax projected under the bill for the self-employed—6¾ percent—will, in the case of a self-employed person with a wife and 2 children who earns $4,200 or less annually, actually exceed the Federal income tax imposed on such an individual. The system could lose its attractiveness, particularly for many self-employed persons, if additional cost items are added without the most careful evaluation of the benefits they confer. The OASI system cannot be expected to provide fully against all insurable risks if the tax is to be kept at a rate which can be borne by persons in the lower income brackets. Every additional item of cost must be considered with the greatest care."

I wish also to read to you a small portion of what I understand was the first policy statement on the Social Security Act offered by Secretary Folsom after he succeeded Mrs. Hobby. He is quoted as having said last fall in the course of a dedication address at the University of Syracuse:

"Our social-security system has remained sound because Congress has rejected proposals that might weaken or destroy it. We must always be careful that proposals for new benefits will preserve the essential justice and strength of the system. *We must remember there is a limit to the social-security taxes the people may be willing to pay to support the system in all the years ahead.*" [Italic supplied.]

Until 1951, social-security taxes were leveled only on the first $3,000 of earnings. During the next 4 years that amount was increased to $3,600. Effective in 1955, it was increased to $4,200. Rates have risen even faster than the taxable pay bases, and I suppose that no one seriously contends that the end is in sight. There has been an unmistakable shift of the incidence of the tax to the higher income groups, which ordinarily have other personal and family protection.

In this connection I recall legislation offered in the State Legislature of Wisconsin in 1949, which would have established a compulsory nonoccupational time-loss insurance system controlled solely by the State. It imposed a tax without income limits. Thus a person earning $50,000 a year, who is quite unlikely to be unemployed, had to pay into the State fund on that gross income. This bill is reported to have been known to and to have had the support of at least some elements in the Social Security Administration in Washington.

I cite that bill because, without claiming any powers of prophecy, it is my prediction that a major and inevitable result of the continued rise in benefits and extension of coverage into new fields, of which H. R. 7225 is an example, will be the removal of any ceiling on income limits for those compelled to contribute to the act. I can well understand the determined effort which has been and is being made to bring the remaining segments of the self-employed under H. R. 7225. I assume that if the bill were to pass in its present form, physicians would be brought under its terms as soon as was deemed expedient. The reason is a perfectly simple one. Self-employed professionals are by and large good risks in terms of selection, health and self-sufficiency. It has been estimated that by adding the remaining professions to the Social Security Act another $100 million a year would be brought into the coffers of the social security fund. If nothing else, this can help reduce the deficits which appear to lie ahead. It will also give the same professional groups that much less money to spend for genuine security through the purchase of private insurance, annuities, Government bonds, and other forms of real savings.

It seems to me that only three options are open to the Congress, and more particularly at this time, to you distinguished gentlemen who make up the Senate Committee on Finance. They are:

(1) A pay as you go policy. This would take far more in social security taxes than have now been levied but would educate people to the direct costs of this legislation. They might begin to wonder whether it was worth what it really costs. I think it significant that both Government and private actuaries have agreed that the social security system, whatever its merits, does not provide an individual as much protection per dollar of social security taxes as that same number of dollars would provide in private insurance. One authority has estimated that to put the benefits on a sound basis the present rate of 2 percent each for employer and employee should be trebled for workers over 50 and doubled for those between 35 and 50. Another favors a straight rate of 15 percent of payroll, which is probably equivalent to at least a 30 percent income tax rate. Another estimates the rate should be 25 percent to prepare for the years when full benefits are due. Mr. Benjamin Kendrick, research associate of the Life Insurance Association of America, and an acknowledged authority, estimates the ultimate cost of the entire social-security program, if put into effect under the ILO minimum standards, which this and similar legislation parallels, at 30 percent to 40 percent of taxable payroll.

(2) Thus far the taxes raised by the Social Security Act have more than paid benefits, although they have not sufficed to establish more than a negligible fraction of the reserves which are needed for incurred liabilities. Statements made to you last summer by Mrs. Hobby, and more recently by actuaries from the Department of Health, Education, and Welfare, estimate that benefits of H. R. 7225 will cost, over and above present benefits, an average of more than $2 billion a year, and will tend to increase another half billion in about 25 years. The estimate of the majority of the House Committee on Ways and Means is that the increased rates provided in the bill will raise about $1,360 million. It thus appears that a deficit may result from enactment of H. R. 7225, considered wholly on a cash basis. On a reserve basis this is unquestionably true, as it has been of the social-security system for some years past.

Some authorities have concluded that by reason of the failure of the Congress to raise social-security rates between 1939 and 1950, and the failure to raise them adequately since then, there was an implied assumption of the deficit and complete abandonment of any attempt at actuarial soundness of the social-security fund.

(3) In my opinion, the only sound position to be taken at this time is to analyze what has happened to the social-security system since its enactment and try to set a sound course for the future. Certainly until that has been done no benefits should be increased and no new categories of beneficiaries created.

Nowhere have I seen the necessity for taking stock at this time better phrased than in the final paragraph of that portion of the minority report of the House Committee on Ways and Means dealing with the costs of H. R. 7225. The report stated—and I quote from pages 63 and 64:

"Finally, insofar as the cost of this program is concerned, we should take sober warning that in our zeal to provide ever greater benefits and to provide against an ever wider area of need we do not destroy the very system which we have created. We have succeeded in avoiding the full impact of the cost by shifting most of the burden to the future. At that time the high tax rates may make it very difficult to retain the contributory principle which we believe so essential to the program. However, we would be deluding ourselves should we believe that the general revenue could be depended upon to support the system. We have already pointed out that under the present schedule, assuming no further changes in the law, social-security tax collections in 1975 will amount to about $20 billion. If such a vast sum were financed through the individual income tax, for example, it would necessitate approximately a 50-percent across-the-board increase in that already burdensome tax. These figures show clearly the magnitude of the problem we are so casually creating."

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I think it worthy of emphasis that the life of the Social Security Act has coincided with the period during which the largest work force in the free world has enjoyed the best sustained and the highest compensated employment in the history of this or any other nation. The act can thus not be said to have been under any such strains as accompany periods of sustained economic recession. Yet what is the fact? The appalling fact is that the total of incurred and partly accrued liabilities of the social security fund to the living population, or to its children, born or unborn, who are entitled under present law to be its beneficiaries, is estimated at $280 billion. Tragically enough this figure coincides with the published figure of the national debt. But, whereas the United States Treasury announces the amount of the debt under its jurisdiction, and the general population has some awareness of it, little publicity is given to the unpublished social security debt which is of equal size. It is true that the social security debt is not all due today; neither is the Treasury debt. It is true that unlike the Treasury debt, the social security debt is partly contingent, and that the Congress can reduce social security liabilities by eliminating or reducing benefits. Any such effort would be most bitterly fought, it goes without saying.

Fortunately, the implications of the social security system for our economy are becoming better understood. Increasing numbers of voters have begun to realize that the social security fund currently contains about $21 billion, and that this is less than the benefits to those who are now receiving a pension. They are beginning to realize that the fund is only 7½ percent of incurred and partially accrued liabilities. I think you may shortly expect an increasing number of inquiries as to what you propose to do about closing this gap. Up to now, you have apparently been hearing primarily from those who wanted a bigger and better free ride.

Just before concluding, I wish to refer you to the position taken by the house of delegates of the American Medical Association at Boston on December 1, 1955, with reference to the social security system as a whole and the provisions of H. R. 7225 in particular. The resolution provided in part:

"*Resolved*, That the American Medical Association urge and support the creation of a well-qualified commission, either governmental or private, or both, to make a thorough, objective and impartial study of the economic, social, and political impact of social security, both medical and otherwise, and that the facts developed by such a study should be the sole basis for objective nonpolitical improvements to the Social Security Act, for the benefit of all of the American people; and be it further

Resolved, That the American Medical Association pledges its wholehearted cooperation in such a study of the social security in the United States, and will devote its best efforts to procuring and providing full information on the medical aspects of disability, rehabilitation, and medical care of the disabled * * *"

The above position I think is as timely as it is sound. As I close, I should like to leave with you an exceptional statement of the real issue underlying the extension of the social security system. It was made by Mr. Folsom at the dedication address at Syracuse University, to which I made earlier reference. He said and I quote:

"I hope we will never accept the philosophy that the one and only best answer to every one of our problems and needs is automatically more and bigger Federal Government. There should be Federal concern; yes. But the people should always consider whether it is Federal action that is most needed, and whether Federal action actually would be the most effective. The people should consider whether individual effort and private enterprise, or local or State government close to the people, can accomplish more real and long-range results for all of us * * *."

I thank you for the opportunity of appearing before this distinguished committee, and for your courtesy in allotting me this time.

(The following was subsequently received for the record:)

RESOLUTION RELATING TO H. R. 7225 ADOPTED FEBRUARY 26, 1956, BY THE COUNCIL OF THE STATE MEDICAL SOCIETY OF WISCONSIN

Whereas H. R. 7225, which would amend the Social Security Act, was adopted by the House of Representatives in 1955, and is now before the United States Senate; and

Whereas that bill includes provisions for disability insurance benefits beginning at age 50 in certain cases; for the continuation of insurance benefits to certain minors who were disabled before age 18; and extends coverage on a mandatory basis to all self-employed health professions, other than that of medicine, and to other professions as well; and

Whereas Mrs. Oveta Culp Hobby, former Secretary of the Department of Health, Education, and Welfare, in the course of a statement before the Senate Committee on Finance on July 26, 1955, warned against the adoption of H. R. 7225 in its present form because there had not been adequate opportunity to consider certain of its provisions; to correlate them with earlier adopted portions of the social-security system; to evaluate amendments to the Social Security Act made in 1950 and in 1954 which involved parallel fields of health or benefits; and because the bill failed to take a realistic approach to the costs of the benefits provided by it: Be it therefore

Resolved, That the State Medical Society of Wisconsin, comprised of more than 3,200 practicing physicians, by its governing body, the council, in meeting assembled at Madison, on February 25–26, 1956, after careful deliberations on H. R. 7225, with particular consideration of the implications of the bill for physicians, as practitioners of medicine and as citizens, urge the Senate of the United States to defeat that bill because it contains proviisons to:

1. Establish a disability insurance sysem for certain persons 50 or over.
2. Continue insurance benefits for minors over 18 who are disabled before attaining age 18.
3. Force self-employed professional workers in health and other fields, exclusive of medicine, into the social-security system.
4. Propose increases in social-security tax rates.
5. Establish an advisory council on social-security financing.

Be it further resolved, That the basic reasons of the council of this society for urging the defeat of H. R. 7225 are as follows, with reference to the five provisions to which objection was made above:

1. The disability-insurance system proposed for those 50 and over would be established by the bill without due consideration of the following factors, among others: (*a*) the size and extent of the disability problem; (*b*) the estimate of experts in rehabilitation and retraining that up to 97 percent "of all handicapped persons can be rehabilitated to the extent of gainful employment;" (*c*) an apprehension, amply demonstrated in the veterans' program, and elsewhere in fields involving physical and psychic injury, that cash disability benefits often operate as a deterent to rehabilitation and the return to gainful employment; (*d*) the implications for the social-security program of grafting a cash disability system of unknown, but unquestionably very substantial proportions, onto that system; (*e*) the requirement that physicians certify disability under the unrealistic definition contained in section 103 of the bill, which is totally deficient in the safeguards and reference points which reduce abuse in other fields of compensable injuries. We have particular reference to the relationship to employment which must be established as a condition of recovery in workmen's compensation cases; to service connection before there can be any determination of the right to disability benefits in the veterans' program; and to the factual background which in a large number of cases is established, in part, by third persons in negligence cases; and to specific phrasing in contracts of disability insurance issued by commercial companies. Objective standards to assist in determination of disability are neither provided for nor apparently anticipated by H. R. 7225; (*f*) the inevitable impairment and possible destruction of the personally significant and the economically and socially desirable programs established by the Federal and State vocational rehabilitation statutes; (*g*) the astronomical costs of the disability insurance and other provisions of the bill, which the chief actuary of the Social Security Administration estimates will add an average of not less than $2 billion per year to the costs of that system.

2. A disability program for minors over 18, who were disabled prior to age 18, would be established without study of the problem, without weighing the Federal and State machinery now available for its solution at State levels, and without regard for the other factors named in the objections offered above with reference to disability insurance for those over 50; except that this council thinks that protest over the emphasis on cash benefits rather than training on rehabilitation programs for handicaped youth should be even more vigorous in the case of those who have not ordinarily begun their productive work than in the case of those who have spent much of their lives productively employed, as is undoubtedly true of the major portion of those disabled at or after age 50.

3. The mandatory extension of coverage to certain self-employed professional workers in 1954, and the attempted extension of coverage on a mandatory basis to all the remaining self-employed professional workers, with the exception of physicians, in H. R. 7225 is believed unrealistic in that it violates the actual pattern of productive activity of professional workers, and unjust because it is an ill-disguised method of tapping the incomes of such persons in full realization that the professional self-employed, as a group, will not derive benefits from the social security system proportionate to the taxes paid by them. While the medical profession is fully cognizant that it is the sole professional group remaining exempt, should H. R. 7225 be enacted in its present form, this council regards such an exemption as nothing more than a reprieve rather than as a continuing exemption from mandatory coverage. The council expresses the further observation that the financing of the social security system has become in effect a gross income tax which will have no income ceiling if the benefits continue to rise as they did in 1950, 1952, and 1954.

4. The objection to the rates proposed is that they are not increased sufficiently to equal the true cost of the benefits, and that they represent a continuation of the pattern which the Congress has followed consistently since 1930, of adding time after time to benefits without adding proportionately to the taxes assessed to pay for those benefits. In light of the evidence already placed before the

Congress to the effect that the present social security trust fund is not adequate to pay benefits to present beneficiaries, much less to establish reserves for the time when present contributors, or their families, will themselves become the beneficiaries of the act, it is believed essential to the very integrity of the basic social security program and to its direct and indirect influence on the country's economy, to make adequate changes in the tax rates rather than to continue temporizing with these vast obligations which will rapidly and inevitably fall due, and which are estimated at $280 billion at this time.

5. Although the establishment of the Advisory Council on Social Security Financing "for the purpose of reviewing the status of the Federal old-age and survivors insurance trust fund in relation to the long-term commitments of the old-age and survivors insurance program," as provided in section 107 (a) is a step in the right direction, the council objects to this provision on the basis that it does not go far enough. It is doubted whether such an advisory council would have jurisdiction over a number of the basic provisions of H. R. 7225 to which exception has been taken earlier in this resolution. It is believed much more relevant and fundamentally sound for the Congress to make no further changes whatever in social security legislation until it has first authorized and either conducted or arranged for an impartial study of the social security system as it now exists, the direction which it is taking, and the complete costs of the system, however it is to be continued.

Be it further resolved, That the provisions in H. R. 7225 to which exception has earlier been taken in this resolution, are believed to be of such a fundamental nature that they do not admit of compromise, and should in no event be enacted into law before a genuine and objective study has been completed by the Congress and the Department of Health, Education, and Welfare, and the full findings of such study have been made public, with adequate time for evaluation and reactions by the public. It is believed that if the social security system is to continue on a sound basis, and is to fulfill its two original purposes, namely, to provide a basic pension for workers who have been taxed by the program, and survivorship benefits to the families of such workers, and if the substantial inflationary elements in the current administration of the social security program are to be kept under control, the time required for such a study must be taken without further delay, and the future of the program plotted in light of such findings.

Be it finally resolved, That copies of this resolution be sent to the two United States Senators from Wisconsin to each Wisconsin Congressman, and to the Committee on Finance of the United States Senate.

The above resolution was introduced at a regularly called annual meeting of the council of the State Medical Society of Wisconsin and unanimously adopted by it in February 26, 1956. Certified under the seal of the society this 29th day of February 1956.

[SEAL] C. H. CROWNHART, *Secretary.*

The CHAIRMAN. Dr. Goodwin.

STATEMENT OF R. Q. GOODWIN, M. D., OKLAHOMA STATE MEDICAL ASSOCIATION, OKLAHOMA CITY, OKLA.

The CHAIRMAN. Dr. Goodwin, Senator Kerr has asked me to tell you that he was out of town and could not be here today to hear you.

You may proceed.

Dr. GOODWIN. First I would like to introduce Dr. Malcolm Phelps, of El Reno.

I am Dr. R. Q. Goodwin, of Oklahoma City, a practicing physician and currently president of the Oklahoma State Medical Association. It is an appreciated privilege to appear before your honorable committee to offer for your judicious consideration comments as a citizen and a physician on H. R. 7225.

As a citizen suffice it to say that my profession places citizenship above all other categories and works at this perhaps somewhat differently from other professions and vocations, nevertheless keeping

it ever in mind as a pleasure, a privilege, and a duty and without which no man can render professional services in Oklahoma.

Appearing before you today, gentlemen, I represent 1,700 members of the Oklahoma State Medical Association. Our physicians are vitally interested in good legislation, legislation that gives no class, race, creed, or color advantages to which they are not entitled, and that insofar as humanly possible, is the best for all.

In reviewing the social-security program from its beginning in 1935 at which time it was intended to aid men and women alike who were over 65 years old, retired, and in need of assistance, this was admirably humanitarian and ostensibly had no implications. This was good. But now, 21 years later, this original program little resembles the 1956 social-security system, which has been extended and broadened to the point almost all-inclusive of the professions and vocations, whether they like it or not, and the context of which is understood by but few as to its actuarial soundness or coverage.

We have been unable to find any record of any recent comprehensive critical review and accurate evaluation of our current system. Such a review and evaluation would be of inestimable value to point out the adequacies and inadequacies of the current system in order to improve the present Federal social-security law.

The almost unprecedented speed of the Ways and Means Committee of the House of Representatives in handling the projected amendments without hearings, and the rapid passage by the House with very limited discussions on these amendments is not in our judgment conducive to good legislation. Particularly is this true on legislation with such far-reaching implications; legislation with near insurmountable executive hurdles, and the actuarial soundness of which is merely conjectural. If there were a social-security crisis facing us, this might be justified, but in the absence of such a crisis and with no crisis cloud on the horizon in the foreseeable future, we feel that the proposed amendments in H. R. 7225 deserve more thorough analysis and evaluation before definitive action is taken.

Hence, I feel I am speaking for the physicians and other citizens in Oklahoma in expressing appreciation of and the utmost confidence in your committee for the manner in which it is handling this legislation.

There are two parts of H. R. 7225 on which we, as physicians, feel most qualified to comment; namely, the lowering of retirement age of women and the disability benefits. It is an established fact that life expectancy has been appreciably extended since the inception and initiation of the Social Security program in 1935. It likewise is factual that life expectancy in women is greater than in men. Also, it is true that biologically, both men and women are younger at any age than their ancestors at comparable ages.

Hence, it is logical to conclude that their productive years have been extended commensurately. This conclusion is substantiated by the fact that many men and women, having by organizational or legislative regulations had to retire at age 65, are not accepting this shelving, but are by virtue of their training and experience, coupled with the determination to produce and to serve, becoming more and more in demand as consultants in their particular field of activity. (It would appear paradoxical in the face of the above facts to lower

the retirement age of anyone.) It is our firm and substantial conviction that to stop mental or physical activity at any age is to stop or even reverse the well-established, ever-increasing longevity in both men and women. To be productive, to contribute, to serve, to be needed—these are the heart's desire of everyone who has, has ever had, or will have these attributes. To maintain these in everyone just as long as humanly possible is to maintain a high socioeconomic level, and it is easily conceivable that in a national crisis such maintenance might be a determining factor.

Disability benefits for total and permanent disability present barriers that at present appear insurmountable. Some of these might well be mentioned briefly. First, there is the question of what constitutes total disability and its duration or permanence. Then the methods and accuracies of determining total and permanent disability are not exact sciences and will of necessity involve the problem of rehabilitation.

Thus far in this legislation no one has defined the quite relative term "disability." Does it mean that when a man who is antisocial to the extent that he cannot hold a job long enough to support himself and his family is disabled? Does it mean that the narcotic addict who refuses to cooperate in being cured is disabled? Does it mean that when a man complains of back pain, a headache, that is intractable, or any other subjective symptom which the best-trained diagnosticians cannot prove or disprove, is disabled? Does it mean that functional mental disorders constitute disability?

With the advancement in medical and surgical care in the past 20 years, more than all progress previously made—there are few human illnesses or conditions which are either totally or permanently disabling. This is most admirably proven and demonstrated by some of our returning veterans, who have had, by any yardstick, total and permanent disability but who have the desire, the vision of being good citizens on their own and the determination to win their personal battles as they won their battles on the battlefield. Many of these battles have been completely won and the soldiers are proud to be in competition with the able-bodied men, asking no odds, wanting no favors, and smiling with success.

To use our most able physicians on problems humanly impossible to solve on a scientific basis is to impede the unprecedented progress being made in the overall health improvement of our people.

The magnitude of this administrative hurdle can in a small way be seen by glancing at the current condition precipitated by the enactment of the disability freeze provision in 1954, in which today the Social Security Administration is far behind in the verification of certified disabilities. This problem, great as it is, is only infinitesimal compared to the potential that could and probably would arise if this legislation is passed.

Rehabilitation must of necessity be closely linked with the disability evaluation. To label a man totally and permanently disabled all too often makes a permanent invalid of him. This is not critical but factual. His brain works that way. It takes away incentive and desire. Rehabilitation, by the time it can be had, is next to impossible. This is shown in a small way by the disabilities in compensable and noncompensable injuries. The compensable disabili-

ties are in most instances many times prolonged over the noncompensable of like degree. This is factual and indisputable.

Our country has been built by men and women with initiative, integrity and the will to do for themselves, asking no odds, no shelter, nothing but an opportunity to make for themselves and their families an ever higher level of attainment in living and giving every other citizen the same opportunity.

There is sitting on this committee today a great Christian gentleman who came from the soil of Pontotoc County, Okla., and whose stature was never attained by the paternalism of his country, State, or Federal Governments, but who has arisen to his present eminence by his own ability to learn, to work, to serve, and to achieve in a free society. These are the qualities found in the men and women who have built the greatest Nation in the world. Without these qualities no nation can be great. Gentlemen, this legislation, if passed, will destroy much of that which has made us the leader of nations.

Gentlemen of the committee, I again express sincere thanks for the opportunity of giving you some of the thinking of the physicians of Oklahoma for your consideration and for your interest in our comments. We assure you that we have confidence in your integrity and judicious management of legislation that affects so many for so long.

The CHAIRMAN. Thank you very much, Doctor.

Senator BARKLEY. What do you mean by "paternalism?" I have heard that phrase used around here, and I would like to have some definition of it. You referred to Senator Kerr. We all admire Senator Kerr and have confidence in him. And he has risen by his own bootstraps, you might say. But what sort of paternalism has he escaped that enabled him to do that?

Dr. GOODWIN. Senator, Senator Kerr had no assistance when he grew up.

Senator BARKLEY. A lot of us are in the same shape. I worked my way through college as a janitor for 5 years. There was no such thing as social security or farm aid or any of the things we have today. Would you term those "paternalism"?

Dr. GOODWIN. Not all of this, but very much I do.

Senator BARKLEY. I gather from your attitude that you are not very friendly toward the social-security system at all.

Dr. GOODWIN. Senator, I have been teaching in the medical schools for a quarter of a century. During the war and following we had at one time over 50 percent of our boys being trained by the Federal Government. They were by and large and almost to the man the poorer of the students in this medical school. The boys who had to come up like you and I did—and I did janitor work too, sir—made better students and better doctors. That is what I mean by "paternalism."

Senator BARKLEY. You mean that the GI bill that we passed here for the benefit of the men who served in the Army was paternalistic and shouldn't have been enacted, and that those who studied under it were poorer students than those who had the money to pay their own way?

Dr. GOODWIN. I mean to say, Senator, that their incentive was not that of the man who had been forced to work his way through school.

Senator BARKLEY. I have been told by many heads of institutions of education that the GI boys were the best students in their colleges and universities, and even when they married and took their wives there, that they made better students even though they had to support their wives and sometimes children, than those who did not have that particular situation. I do not know what the facts are because I was not in any institution. But all the facts I have had in the way of personal conversation, have indicated that these ex-soldiers were good students, and on the average they made better grades than those who had not been in the Army.

Dr. GOODWIN. Senator, that was not the situation in Oklahoma. There were exceptions. Many of the boys were fine, interested, and deserving, dedicated men, and I would take my hat off to them. But——

Senator BARKLEY. When we passed that GI bill of rights, as we called it—and I think it came out of this committee—there were many people in this who felt that since we were taking these boys out of their educational years and taking them away from their colleges and their studies, that we ought to help them to resume their education, because ordinarily a boy who stays out of school 2 or 3 or 4 years is not likely to go back to school, because he feels that he is too old, or has gotten out of the habit of studying. And many people felt that our soldiers would not go back. And it is to their credit and the credit of Congress that over 4 million ex-GI's went back to school and got their education and finished their education.

Do you think it was paternalistic to give them that right?

Dr. GOODWIN. I think it was paternalistic, but it should have been done. But that point is that these boys were not as much interested as the boys who had to work their way through. That is the record in Oklahoma. Whether it is the case in other places, I don't know. I was the head of the department of medicine, and I am in a position to know the score.

Senator BARKLEY. In your statement you criticize the House of Representatives and the Ways and Means Committee for the manner in which they passed this bill. And a number of witnesses have done the same. Of course, I do not know, and I don't suppose this committee knows, the reason the House acted as it did, or the Ways and Means Committee acted as it did.

But in an effort to preserve comity between the two Houses it seems to me a little unwise to castigate the House for the manner in which they passed this bill in order to pass some amendments which were put in the bill. I don't think it helps the situation in the two Houses, either in this committee or the House for the witnesses to criticize the manner in which they passed the bill.

Dr. GODWIN. Senator, I think you are right there. And I would think that if the Senate would act as the House did, that my statement could be made as I made it. It is not conducive to good legislation on a measure of this magnitude.

Senator BARKLEY. You mean the way the House acted, or the way they are being criticized over here?

Dr. GOODWIN. The speed with which they carried this legislation which is so far-reaching.

Senator BARKLEY. Well, I could go into that until 12 o'clock and discuss it with you in a friendly way, but I won't do it, because there

are other witnesses. But I doubt the wisdom of 1 House or 1 committee of 1 House criticizing the other for the manner in which it legislates, because we have to get along together. And our Members of the House have as much—like Artemus Ward remarked one day, one man has as much human nature in him, if not more. And that would apply to the Members of the House and the Ways and Means Committee as well as Members of the Senate.

Dr. GOODWIN. As you recall, "Alfalfa" Bill Murray remarked, if a man can't criticize his friends, whom can he criticize?

Senator BARKLEY. I served in the House with him for many years. He is still living; isn't he?

Dr. GOODWIN. Yes, sir.

Senator BARKLEY. If you see him, give him my regards.

That is all.

The CHAIRMAN. Any questions?

(By direction of the chairman, the following is made a part of the record:)

THE OKLAHOMA STATE MEDICAL ASSOCIATION,
Oklahoma City, Okla., February 21, 1956.

Senator ROBERT S. KERR,
Senate Office Building,
Washington, D. C.

DEAR SENATOR KERR: Recently in conversation with Mr. Dick Graham you expressed an interest in knowing the attitude of Oklahoma physicians concerning their being included in the social-security program.

Since Mr. Graham's visit with you, the Oklahoma State Medical Association has conducted a survey of its membership on this question. The letter which was sent to the physicians and the ballot card used are attached.

The result of the survey is as follows:

Out of a membership of 1,725, 954 cards were returned which is a percentage return of 55 plus percent.

Of the 954 returns, 510, or 53 plus percent, voted "no."

Of the 954 returns, 444, or 46 plus percent, voted "yes."

Of the 444 who voted "yes," 366 or 38 plus percent were in favor of voluntary coverage and 78 or 8 plus percent were in favor of compulsory coverage.

You will note on the ballot card that the physicians were asked to indicate their age under an age grouping system and the following is the result:

Of those that voted "no," 87 were under 35 years; 160 were 35 to 45 years; 133 were 45 to 55 years; 57 were 55 to 65 years; 55 were over 65 years and 18 did not indicate their ages.

Those voting for voluntary coverage were 43 under 35 years; 101 from 35 to 45 years; 96 from 45 to 55 years; 53 from 55 to 65 years and 71 were over 65. Three did not give their ages.

Those favoring compulsory coverage were 10 under 35 years; 12 from 35 to 45 years, 19 from 45 to 55 years, 12 from 55 to 65 years; 23 over 65 years and 2 did not give their ages.

We are anxious to do some additional study on the returns, to the extent of breaking them down by county and after this has been completed, if you would care to have the actual cards, we will be more than pleased to supply them to you.

The results of this survey quite obviously will be reported to the governing body of the association for its further consideration of our stand on social-security coverage for physicians.

If we can be of any further assistance to you in any way, please do not hesitate to call on us.

R. Q. GOODWIN, M. D., *President.*

Dr. GOODWIN. Mr. Chairman, may I ask the privilege of Dr. Phelps making a short statement?

The CHAIRMAN. Yes, sir.

Senator LONG. Before you conclude, the witness may very well know that over in the House they have a rule of limited debates. I

have been one of those who have not particularly advocated that rule that a person cannot talk as long as he wants to, but there are those who criticize our rules, too.

STATEMENT OF MALCOLM E. PHELPS, M. D., EL RENO, OKLA.

Dr. PHELPS. I am Dr. Malcolm E. Phelps, a practicing physician in El Reno, Okla.

I want to express my appreciation to you for the privilege of allowing me to be here.

I am vitally interested in H. R. 7225 because, in my opinion, after a careful study of this legislation, I feel that it is a threat to the solvency of the social-security system.

Over the years that I have been privileged to practice the art and science of medicine I have observed a growing tendency on the part of some of the citizens of these United States to become more interested in Government paternalism than in self-initiative, and this has been particularly evident in the field of workmen's compensation and physical disability of any and all types.

The issues presented in H. R. 7225 have been extensively presented to this committee by representatives of many segments of the business, professional, and religious world and I do not feel that I need repeat their observations, but I would like to submit perhaps another viewpoint that I believe to be the feeling of many Americans.

Practicing as I do in a small Oklahoma community, I naturally have many small independent businessmen and farmers as my patients and I have taken the time to discuss this legislation with them and when it is pointed out to them that the social-security tax will, under present legislation, rise to as high as 9 percent and that there is a possibility that the total permanent disability payments will be available to persons under social security, under certain conditions, they are appalled. They are appalled because in their busy everyday life the complicated problems of Government they believe to be beyond their general understanding and it is not until some of the proposals of Government are discussed with them do they understand the effect these tax proposals will make in their lives.

I should like to present for this committee's consideration several questions that, in my opinion, have so far gone unanswered.

What justification is there for paying cash benefits to a permanently disabled person at, let's say, age 50 but not at age 49?

How long will it be before voters in the lower-age group will be asking for the same emoluments and finally will the age requirement ultimately have to be abolished?

If these benefits are paid to totally disabled persons, what will be the attitude of the person temporarily disabled?

How would I, as a physician, being morally honest with myself, handle the certification of disability and where does the problem of mental disability come into consideration?

What should I, as a physician, do and what would be the public's attitude, to the certification of a drug or alcoholic addict as a physically disabled person and what would be the political repercussions in a community when its people learn that Federal legislation exists which would make this certification possible and in some cases even probable?

As a physician fully believing in and subscribing to the Hippocratic oath, I can assure this committee that if this legislation passes, I will exercise my best professional judgment in doing my best to protect my Government and still be fair to my patients, but I ask you this final question: What protection can my Government give me and my fellow physicians to keep a rejected applicant from slandering us and spreading malicious gossip concerning our professional integrity?

My closing statement to this committee is simply a reemphasis of one I have previously made and it is purely in the political vein. It is simply that I have taken the time to discuss this legislation with the type of man who, in the vast majority of instances the country over, will pay the bill and never ask for any benefits and who, when he understands it, as he ultimately will when it reaches his pocketbook, will be opposed to the legislation.

I urge that each member of this committee make the same survey in whatever way he cares to and above all, I urge each member of this committee—and as a matter of fact, each Senator—to exercise his statesmanship and his leadership in presenting this proposal to the people of his respective State to see how they feel.

Again, I want to thank you for your consideration.

Senator BARKLEY. What kind of a referendum would you call it? We can't canvass all over the State and see everybody, we are busy here holding hearings. Most of the letters we get from people are for it, if that is any indication. But you would indicate that we find out from the voters. How do you think we can do that?

Dr. PHELPS. I am sure that every time you are in Kentucky, Senator, you have conferences with people there. And when you discuss things with them you soon find out how they feel.

Senator BARKLEY. I do that frequently. But I don't see how I could call together in a group or in a great convention all those who might be beneficiaries of this legislation and ask them if they are for it or against it.

Dr. PHELPS. I am sure that is correct. My impressions are made from talking to these people, these farmers and businessmen that are my patients and my friends.

Senator BARKLEY. Maybe you keep your patients all so well that they are not interested in social security.

Dr. PHELPS. I try hard.

Senator BARKLEY. Is the question of disability now, from a medical standpoint, any more difficult than it has been all along in the Veterans Act, when total disability must be passed on, or in the insurance companies, where it is a medical question? Has the medical profession deteriorated to such an extent that it can't determine disability any better than 20 or 30 years ago?

Dr. PHELPS. Senator, I can't any better than I could 20 years ago, and some of the people I have seen over the last 20 years, I can't determine whether they are disabled. It depends too much upon the individual.

Senator BARKLEY. It is a relative thing, anyway. Nobody can be dogmatic about it. You expressed your best opinion based upon his condition and your medical knowledge. And that is about all any doctor can do.

Dr. PHELPS. It has to depend on an honest opinion of the one that is doing it.

Senator BARKLEY. And I have been somewhat disturbed about the testimony here of doctors who have said that there are in this country enough doctors who, after a patient or an applicant is turned down by a lot of other doctors, will certify him as totally or permanently disabled. That seems to me to be a reflection on the medical profession in which I am not willing to indulge.

I suppose there are shyster doctors as there are shyster lawyers. But I would hate to think that they are so numerous, that there are doctors who are willing to certify a man as permanently and totally disabled whether he is or not, in order not to lose that patient; I think that is a serious reflection upon the medical profession.

Dr. PHELPS. Senator, I know that there are possibly 1 or 2 doctors that may let their views be influenced by certain things. However, doctors, as lawyers, can have a true and honest difference of opinion after examining a patient. Medicine is not an exact science. So we have to rely on our best judgment. And it can be an honest difference of opinion.

Senator BARKLEY. Even law isn't an exact science; it is supposed to be a science, but it is not exact. We talk about socialized medicine, and all that—and I am against it, if I understand what it is—but we have a law in Kentucky which requires the court to appoint an attorney for any man who is charged with a crime who is not able to employ a lawyer. The court's obligation is to see that he is represented by counsel in his defense.

I never thought of that as socialized law. I remember when I was a young lawyer there was a colored fellow who was charged with a rather serious offense. The judge asked him if he had a lawyer, and he didn't. And he asked him if he was able to hire one, and he said he wasn't. And the court appointed me to defend him.

The boy had previously not pleaded guilty, and after he had looked around at me he turned to the judge and said, "Judge, I think I will just plead guilty." I didn't think at that point his opinion was exact.

Dr. PHELPS. Senator, I thought you were going to say that he wasn't the same lawyer that cleared him the last time he stole a horse.

The CHAIRMAN. Thank you very much.

The next witness is Dr. Lewis B. Flinn, the Medical Society of Delaware.

STATEMENT OF LEWIS B. FLINN, M. D., MEDICAL SOCIETY OF DELAWARE, WILMINGTON, DEL.

The CHAIRMAN. The Chair recognizes Senator Frear, who will introduce Dr. Flinn.

Senator FREAR. Mr. Chairman, I think the delegation from Delaware, which has two members on this committee, is very pleased to advise the committee that Dr. Lewis B. Flinn is a native Delawarean, having been born in the city of Wilmington.

He received his bachelor of arts degree at Princeton, graduating as a Phi Beta Kappa in 1918. He doesn't look that old.

In 1922, he completed his studies as a doctor of medicine at Johns Hopkins University, from where he was graduated with honors.

Since 1925, Dr. Flinn has been practicing medicine in Wilmington.

He is the founder of the Delaware Academy of Music and was a former president of that organization.

In 1955 he was awarded an honorary degree as doctor of science at the University of Delaware. Dr. Flinn is a member of a number of other important medical associations. And, Mr. Chairman, Senator Williams and myself are very pleased to have Dr. Flinn give his views on the pending legislation.

Senator WILLIAMS. I want to join Senator Frear in extending a welcome to him.

Dr. FLINN. I hope I will measure up to such an introduction.

If I may be so bold, Senator Frear, if I understood you correctly, sir, I was not a founder of the Delaware Academy of Music, but of medicine.

Senator BARKLEY. In order to establish a common interest between you and me, Doctor, I wear an Phi Beta Kappa, too, but it is honorary.

Senator FREAR. I think we should establish some connection between medicine and music.

The CHAIRMAN. Proceed, Doctor.

Dr. FLINN. I request, if I may, to submit my statement for the record, and to add to it a short summary, which I would like to give you now.

The CHAIRMAN. Without objection the insertion may be made in the record.

(The prepared statement of Dr. Flinn is as follows:)

STATEMENT OF THE MEDICAL SOCIETY OF DELAWARE RE SOCIAL SECURITY AMENDMENTS

By Lewis B. Flinn, M. D.

Mr. Chairman and members of the committee, I am Dr. Lewis B. Flinn, of Wilmington, Del., immediate past president of the Medical Society of Delaware, which I am representing here. I want to thank you for the opportunity of offering these remarks to your committee.

As we are all aware, there are several major provisions in this bill. Certain aspects of it have been, and will be, covered more comprehensively than it would be possible for me, as a physician, to do. I have chosen to limit my remarks to that provision most directly affecting the medical profession, the payment of disability benefits.

The Medical Society of Delaware questions the value in a great many cases of direct and indefinitely continued disability payments. Such a program conflicts with, or fails to take into account, the operations of various State and local funds and activities aimed at successful rehabilitation on the community level. In many instances these programs have not been in existence long enough to allow for an accurate appraisal of their results. Mrs. Oveta Culp Hobby, then Secretary of the Department of Health, Education, and Welfare, recognized this in her letter of June 21, 1955, to Mr. Jere Cooper of the House Ways and Means Committee "* * * there has not been an opportunity to assess and evaluate the results of the 1954 amendments, nor will there be for some time yet. The first few State determinations of disability under the disability 'freeze' provision enacted last year have just been received. We are convinced that best interests of the OASI system and the American people would be served by obtaining more experience under the 'freeze' and having that experience evaluated carefully before coming to far-reaching decisions which have important implications for the OASI trust fund. Similarly, there has been no opportunity to evaluate the effiect of the Vocational Rehabilitation Act of 1954, expanding the Federal-State program of rehabilitation for the disabled, or the effect of the referral to State rehabilitation agencies under the disability 'freeze' provision mentioned above. We regard all of these as matters of crucial significance in the development of sound legislation" (H. Rept. 1189 (H. R. 7225), p. 60).

This view was enlarged upon by J. Duffy Hancock, M. D., Chairman of the Medical Advisory Committee of the Social Security Administration, who wrote July 3, 1955, to Mr. Roswell B. Perkins, Assistant Secretary of the Department of Health, Education, and Welfare, in opposition to payments for the disabled under

this bill. "It was my impression that the philosophy behind the disability freeze was the rehabilitation of those disabled in order to enable them to become gainfully employed again. This was based upon the procedure that all the applicants granted disability freeze are to be referred to rehabilitation for treatment, if possible. Should pensions be available immediately, they would serve as an inducement to deter the applicants from the often laborious process of becoming rehabilitated" (H. Rept. No. 1189 (H. R. 7225), p. 65).

It is a glaring weakness of this bill that by specifying a recent work record at age 50, H. R. 7225 fails to provide for those disabled at age 40, 35, 30, etc.—those who have had even less chance to accumulate a financial backlog. It is naive not to recognize that the age limit eventually will be lowered under pressure from these age groups until disability coverage starts at the cradle and ends at the grave. Similarly, the Ways and Means Committee expressed awareness of "the plight of women widowed when they are not many years below age 65" (H. Rept. No. 1189 (H. R. 7225), p. 7). What limit can be placed upon the phrase "not many years"? What will be the attitude of the Ways and Means Committee toward those women widowed "not many years below age 62"? Once the principle of the sliding age limit is adopted, where, short of lifetime coverage, at astronomical cost, can it logically end?

It is well known that life expectancy in this country and in the world is rapidly lengthening. Less well known are the findings of Mr. A. W. Watson, an eminent British actuary, that a decrease in the mortality rate is accompanied by an increase in the morbidity, or illness, rate. Thus, the same factor which is pyramiding the old-age benefit liability is simultaneously a threat to costs under the proposed disability-benefit coverage.

The greatest danger to the Nation in this plan is the danger of the people's being educated to regard injuries as opportunities for financial gain. This would lead not only to an inevitable translation into increased costs, but to a vast weakening of the national philosophy. The concept of premiums being "banked" to draw on might lead to a determination to cash in, with a resultant growth of that group who want something for nothing and a concomitant decline in the self-sufficiency and independence of the national character. We must never lose sight of the fact that rehabilitation is of itself a means, a justification, and an end. We must never allow for a situation to develop in which that end becomes obscured by avarice or lack of incentive. Disability, it must be remembered, is often a highly subjective thing.

In any legislation so vast in its implications, a thorough study of the cost is imperative. The report of the House Ways and Means Committee states "Your committee has consistently been of the belief that the foundation of the social-security system should be the method of contributory social insurance. * * *" (H. Rept. No. 1189 (H. R. 7725) p. 4). The thought that social security, as it now stands, is insurance is a fatuous misconception, and has colored many people's approach to the facts, by its implication of a balance between what is contributed and what is withdrawn. Insurance is based on the concept of contributing toward the realization of face value. That this is neither the case nor the original concept with social security is demonstrable.

The Attorney General of the United States testifying on old-age benefits before the Supreme Court in 1937 said "These are gratuities (not based on contract) * * * to be paid by the National Government directly to individuals." In the case of *Lynch* v. *United States* (292 U. S. 571, 576–577) the Supreme Court pointed out the difference between insurance, which creates vested interests, and pensions and other gratuities involving no contractual obligations. The Attorney General, referring to the Social Security Act in 1937, said "* * * the act creates no contractual obligation with respect to the payment of benefits."

This statement is substantiated by section 1104 of the Social Security Act—"The right to alter, amend, or repeal any provision of this act is hereby reserved to the Congress."

Thus, while social-security taxes are compulsory, the Congress is under no reciprocal compulsion to pay benefits. Obviously, then, there is no contract involved, and, by the decision of the Supreme Court, no insurance is involved, and by the wording of the Social Security Act, none was intended.

The insertion of the concept of insurance, with its implication that benefits are bought and paid for, has led to some extraordinary interpretations on the part of the proponents of this system.

The House Ways and Means Committee, in determining the potential cost of H. R. 7225, used the simple expedient of averaging the high- and the low-cost estimates. This was highly arbitrary in view of the variance in these esti-

mates, and seems to have been questionably motivated when taken in conjunction with the committee's inconsistency in accepting only high employment assumptions. Certainly this method presents a favorable though unrealistic picture. We feel that it is important to consider this variance.

Operating on identical assumptions with respect to wages and employment, and dealing in payroll percentages to minimize the factor of the fluctuation in the value of the dollar, the low-cost estimate procured by the Ways and Means Committee projects a trust fund balance of $482,521 million in the year 2020. The high-cost estimate foresees a complete exhaustion of the fund by the year 1998 (H. Rept. No. 1189 (H. R. 7225), p. 21).

While admittedly the true course of social security under H. R. 7225 probably lies between these extremes, one of these estimates is very wrong, and the application of this system without exhaustive research aimed at a precise estimate could destroy social security. Rather than the cavalier approach of the Ways and Means Committee, "This intermediate-cost estimate does not represent the most probable estimate, since it is impossible to develop any such figures. Rather, it has been set down as a convenient and readily available single set of figures to use for comparative purposes" (H. Rept. No. 1189 (H. R. 7225) p. 16) an extensive detailed study of these costs is in order, to prevent what may very well be the eventual choice between a total collapse of the economic feasibility of social security, to which many people now look and will look for protection in their old age, and a rate of taxation equivalent to socialism in order to sustain it. Rather than shift responsibility to an Advisory Council to be set up in the future to "review the status of the old-age and survivors insurance trust fund in relation to the long-term commitments of the program" (H. Rept. No. 1189 (H. R. 7225) p. 10) as was done by the Ways and Means Committee, let such a study be made before committing the Nation to a program so vast and far-reaching in its effects.

With reference to the Ways and Means' statement that "the system is now in approximate actuarial balance" (H. Rept. No. 1189 (H. R. 7225) p. 12) let us consider the status of the trust fund as of 1955.

The social security trust fund contained, nominally, $20.7 billion in 1955. But the law states (sec. 201 (c)) that funds not required for current operations shall be invested in "interest bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States." The Social Security Act further empowers the trust fund to purchase special obligations issued to it by the Treasury. Twenty billion dollars' worth of Government bonds and obligations have been acquired by the fund. This money has been spent by the Government for general operations. This leaves $700 million in cash to meet an approximate accrued liability of $300 billion under the present law alone. Of the principal and interest currently held by the fund, 3.4 cents of every dollar is actually available. Ninety-six and six-tenths percent of the money supposed to be set aside for social security purposes has been spent for general Government operations, and must be reclaimed from tax revenues, in no way related to social security, yet to be collected. We speak of making a "token reduction" on a national debt of $279 billion, and simultaneously legislate to increase a national social security debt of $299 billion.

While it is perfectly obvious, of course, that the largest part of the increased cost will not come from disability benefits alone, the depth of the thinking that formulated this plan is apparent in these figures.

Let us consider the possible practical effects of this bill. It must be remembered that disability income is not subject to taxes and withholdings. Therefore, the spendabiilty of income tends to rise, and disability benefits represent a much higher percentage of ordinary income than is readily apparent. This tendency is accentuated by the fact that when one is not working, ordinary expenses of work—meals, transportation, clothing, etc., become unnecessary. This may stretch disability benefits to the point at which, with possible residual and/or unreported productivity, such as work done at home, it becomes as profitable and, to some, much more attractive to remain at home and accept benefits than to wholeheartedly strike for rehabilitation.

While disability benefits represent net value, conversely the social security tax is a gross tax, and the percentage of income it appropriates is concealed in its true effect, when compared, for example, with Federal income tax. As wisely pointed out by the dissenting minority of the Ways and Means Committee. "Let us take the example of a farmer with a net income from self-employment of $4,200 in 1975. Assuming that he has a wife and two children and uses the standard deduction, his Federal income tax, under present rates, will be $276.

His social security tax, on the other hand, will be $283.50. In this example, which is a completely average case, the social security tax, as a percentage of net taxable income, would be in excess of 20 percent. If the same individual had three children, his income tax would be cut to $156, but his social security would still amount to $283.50. In such a case, the latter tax would be the equivalent of a net income tax of 36 percent. We again point out that his would be an ordinary case and not at all an unusual one" (H. Rept. No. 1189 (H. R. 7225), p. 62).

When this effect upon spendable income takes hold in the lower tax brackets, the brackets which, because they actually spend the highest percentage of their income, exert tremendous pressure on the markets which sustain high employment, what will be the effect upon the assumption of the Ways and Means Committee that, granted high employment, the social security system will be "not quite self-supporting" (H. Rept. No. 1189 (H. R. 7225) p. 19)? It is obvious that the most intense study should be given this point to see if H. R. 7225 does not contain the seeds of the complete collapse of the social security system. Consider the terrific rise in disability claims during recessions of the employment cycle, to which the Nation's private insurance companies lost literally hundreds of millions of dollars during the depression of the early 1930's. Consider the probability that Government adjusters, under no compulsion to show a profit, as were the insurance companies, will be less rigid in their administration of disability claims. Consider the pressure on such adjusters to have records of payment for claims which do not fall substantially below those of other areas. Consider the probable increase in loss because of universal coverage as opposed to selected risks. Will not the first major deviation from the high rate of employment blithely assumed by the Ways and Means Committee, coupled with the comparatively large segment of spendable income taxed from the lower brackets create:

(*a*) A cyclic, self-perpetuating increase in the number of disability claims?

(*b*) An unfavorable economic environment in which to expand small businesses or found new ones? These businesses must be encouraged to prosper and grow if our rapidly rising population of today is to have employment tomorrow.

(*c*) The necessity for a spiraling rise in social security tax rates to support the increased demand for funds created by disability claims and precipitated retirements, until the social security tax reaches proportions that already stand at 35 percent in segments of the French economy today?

The flat percentage payroll tax was invented by Bismarck in the 1880's specifically to redistribute the wealth of Germany and bring the German states together under one autonomous government. It is a device especially designed to promote national socialistm, and unless it is handled extremely carefully, after a long and intense study such as H. R. 7225 has not had, it will do exactly that in this country.

From a medical point of view, the most alarming aspect of this bill is that the decision of the physician regarding the actual disability of his patient is not final. Not only is the claimant encouraged to shop around until he finds a medical opinion to his liking, but the case certified as a genuine disability by a physician may find that opinion overruled by the Secretary of HEW. In addition to placing diagnosis by individual practitioners under approval of a political appointee, this projects the Federal Government directly into the practice of medicine. While nationalization of the medical profession, as such, has repeatedly been rejected in the Congress, the effect of previous disability legislation, and particularly of H. R. 7225, is to extend Federal authority farther and farther into the field of medicine. It is a trend, which if carrid to its logical conclusion, will inevitably lead to Federal regulation and control of the medical profession, through the extension of compulsory and "gratuitous" health programs to the American people. As Justice Jackson of the Supreme Court observed in 1942, "It is hardly lack of due process for the Government to regulate that which it subsidizes."

In this connection, Dwight Eisenhower, then a candidate for the Presidency of the United States, commented upon the dangers of American medicine's coming under the control of those who seek to nationalize it—"* * * incentives would disappear under Government bureaucratic control, because promotion and increased compensation for most doctors would come more by seniority than by merit. But still more important is the effect of compulsory methods on the patients, whose confidence in the doctor may be seriously impaired. The patient may fear—and no doubt correctly in many cases—that he would receive regimented assembly-line treatment instead of care that is tailored to his individual

needs * * * The patient would find that he would be worse off as a taxpayer, too, because it would require a whole new army of Government clerks to handle the records that would be an essential part of a compulsory system.

"Any move toward socialized medicine is sure to have one result. Instead of the patient getting more and better medical care for less, he will get less and poorer medical care for more. Experience has shown that American medicine outstripped the world on a voluntary basis and on that basis—plus voluntary insurance plans together with locally administered indigent medical care programs for those unable to participate—the needs of Americans will most adequately be met."

The question presented to the Senate in H. R. 7225 is not one of whether or not the medically indigent of this country are to receive proper medical attention and service. We have been attacking this problem for years, with considerable success. The situation as it now stands is admittedly imperfect but with continued progress we feel that we shall be able in time to provide adequate care for all of the people regardless of their financial resources. The problem has been dealt with on a local basis, as is proper. The questions inherent in this bill are:

(*a*) Shall this bill, which is a perversion of the intents and purposes of social security, be the precedent for a complete scheme of cradle-to-grave socialism? How can it be said arbitrarily that a disability at age 50 is more disabling than one at a progressively lower age? Once adopted, this precedent will have no logical point of termination. Once it has been established that age limits can be shuffled to meet expediency, how can future legislators resist the pressures that will be put on them to extend benefits to larger and larger groups, at greater and greater costs, until staggering tax rates and universal benefits destroy our free economy?

(*b*) Is the collapse of the provisions upon which millions of Americans place their hopes for old-age security inherent in this bill? Are the costs involved so tremendous that they will bankrupt the social-security system? This is a question that has frequently been asked, but so far has not been answered—certainly not by the casual averaging (and reciprocal negation) of opposing cost estimates employed by the Ways and Means Committee. We are not able to answer this question, but we feel that it would be highly irresponsible to pass the bill without intensive research and a definite settlement of the question. It is true, of course, that this would take time; but we do not see any urgency in the presentation of this bill, and we believe it would be far better to delay that presentation pending a knowledge of the facts than to force an uninformed vote on so vital a matter. The American Medical Association has pledged to support such a study, and I should like to add my assurance that the Medical Society of Delaware will be happy to assist wherever it may.

(*c*) Finally, and most important, is the social-security program, with its great positive potential for the relief of poverty, indignity, and dependence, and its equally great potential for undermining in the national philosophy the incentive, the energy, and the independence that have always characterized it, to be subjected to the demands of political expediency? The suspension of rules under which H. R. 7225 was forced through the House of Representatives represents one point of view. It remains for the Senate to consider the other. The taxing of future generations to insure the support of present ones can be done, of course. It is a very popular movement among those who question any obligation to posterity. But it should not be done in the name of freedom, responsibility, and equity. Originally a humanitarian device, social security has been subject to political presures since its inception. It is high time that statesmanship should succeed political opportunism in determining its future course.

Dr. FLINN. In the first place, I wish to make very clear that the medical profession, and certainly the Medical Society of Delaware, has a real interest in and genuine concern for the improvement of the status of disabled individuals. Considerable progress has already been made in this connection.

If the Congress desires to allocate Federal funds to expedite and expand such improvement, we will gladly cooperate in studying the need and magnitude of such aid, and in attempting to determine the mechanics best suited to bring this about.

We are convinced, however, that H. R. 7225 is not the desirable method.

Previous testimony has demonstrated the astronomical cost——

Senator BARKLEY. May I interrupt to ask you if you mean the whole of the bill or just certain parts of it.

Dr. FLINN. Certain parts of it.

Previous testimony has demonstrated the astronomical costs of this proposed legislation, and has shown it is actuarily unsound. I have alluded to this in my written statement. I wish to confine my few remarks now to the medical aspects of this bill.

The Medical Society of Delaware questions the value in a great many cases of direct and indefinitely continued disability payments. Such a program conflicts with, or fails to take into account, the operations of various State and local funds and activities aimed at successful rehabilitation on the community level. In Delaware, for instance, as Senators Frear and Williams well know, vocational rehabilitation has been most successful, and Delaware has led the country, in fact, in percentage of individuals returned to gainful employment.

The permanent and total disability provisions of section 14 of the Social Security Act are already in force in Delaware, and give more benefit to the medically indigent than would H. R. 7225.

Senator BARKLEY. Would it bother you if I asked you a question right there?

Dr. FLINN. No, sir.

Senator BARKLEY. In Delaware, then, you have coped with the question of total and permanent disability?

Dr. FLINN. Yes, sir.

Senator BARKLEY. Have you had any difficulty in administering it, or have you been imposed on as a profession by reason of it?

Dr. FLINN. I am not familiar with the details of this program, but I am sure it is not working as well as it should, nor is the rehabilitation program. But I feel also that there is no reason why such programs cannot be improved with more care and study.

Senator BARKLEY. All such programs, whether administered by a county, a city, a State, or by the Federal Government, have to take into consideration human frailties and weaknesses, and all that, both on the part of the beneficiary and the administrator and the doctor, and everybody else; isn't that right?

Dr. FLINN. Yes, sir. My point here was to the effect that there are already these provisions made for the care of a lot of disabled veterans which, it would seem to me, overlap in this proposed legislation.

Senator FREAR. Is Dr. Heim the head of the program in Delaware, Dr. Flinn?

Dr. FLINN. I think so.

Senator FREAR. Raymond Heim. As you stated there, I think he has one of the outstanding records in rehabilitating people.

Dr. FLINN. Of course, many of us are proud of the record made by Dr. Heim.

It is well known that life expectancy in this country and in the world is rapidly lengthening. From a medical point of view the most alarming aspect of this is that not only is the claimant encouraged to shop around until he finds a medical opinion to his liking, but the case certified as a genuine disability by a physician may find that

opinion overruled by the Secretary for the Department of Health, Education, and Welfare.

In addition to placing diagnosis by individual practitioners under approval of a political appointee, this protects the Federal Government directly in the practice of medicine. While nationalization of the medical profession as such has repeatedly been rejected in the Congress, the effect of previous disability legislation, and particularly of H. R. 7225, is to extend Federal authority further and further into the field of medicine. It is a trend which, if carried to its logical conclusion, will inevitably lead to Federal regulation and control of the medical profession through the extension of compulsory and gratuitous health programs to the American people.

The question presented to the Senate in H. R. 7225 is not one of whether or not the medically indigent of this country ought to receive proper medical attention and service. We have been attacking this problem for years with considerable success. The situation as it now stands is admittedly imperfect, but, with continued progress, we feel that we shall be able in time to provide adequate care for all of the people, regardless of their financial resources. The problem has been dealt with on a local basis, as is proper.

The questions inherent in this bill are: Shall this bill, which is a perversion of the intents and purposes of social security, be the precedent for a complete scheme of cradle-to-grave socialism? How can it be said arbitrarily that a disability at age 50 is more disabling than one at a progressively lower age? Once adopted, this precedent will have no logical point of termination. Once it has been established that age limits can be shuffled to meet expediency, how can future legislators resist the pressures that will be put on them to extend benefits to larger and larger groups, at greater and greater costs, and still staggering tax rates and universal benefits destroy our free economy?

We do not see any urgency in the presentation of this bill, and we believe it would be far better to delay action pending a thorough knowledge of the facts than to force an uninformed vote on so vital a matter. The American Medical Association has pledged to support such a study, and I should like to add my assurance that the Medical Society of Delaware will be happy to assist wherever it may.

Finally, and most important, is the social-security program, with its great positive potential for the relief of poverty, indignity, and dependence, and its equally great potential for undermining in the American philosophy the incentive, the energy, and the independence that have always characterized it, to be subjected to the demands of political expediency?

Senator BARKLEY. I would like for you to expostulate a little more on this. What do you mean by "political expediency" in connection with legislation of this sort? That term has been referred to here over and over again, and I would like to find out what you have in mind when you talk about political expediency in connection with this legislation.

Dr. FLINN. I will not bring up in detail, sir, the question of what happened in the House of Representatives. That has been discussed. I can only say that it seems rather precipitous to many people in the country, and certainly to physicians. And I merely mention that fact, plus the dangers of rushing legislation, perhaps, through Con-

gress in an election year. And we merely again rely on the statesmanship of the members, certainly of this committee, to look at all the factors involved and to suggest, we hope, a more thorough study into certain aspects of this bill when it comes to disability, which I am not aware have ever been answered.

How many disabled individuals are there? Disability is almost—to some extent—a philosophy.

As you so ably pointed out a few minutes ago, sir, it is difficult to determine in many instances when a person is disabled and not disabled. The main difficulty, as we see it, in this proposed bill is that this magnifies the problem into a tremendously large number of such individuals, which will, we feel, interfere with a proper administration of the bill, and will in the end not result to the best interest of the disabled individuals themselves.

Senator BARKLEY. Now, this is an election year; it is automatic, and we can't do anything about it, because the Constitution requires that the President be elected every 4 years and the House of Representatives every 2 years. The House of Representatives passed this bill early last year. It was not an election year. Is it your viewpoint that they did it through political expediency looking forward to this year, which is an election year?

Dr. FLINN. I do not know——

Senator BARKLEY. Would you suggest that we suspend all legislation actions in an election year because it might be charged that it was due to political expediency? Personally I have long favored a 4-year term for Congressmen so that they wouldn't have to run every 2 years, but I haven't gotten anywhere, and probably won't. But I do feel that the Members of the House ought to be elected for 4 years, and I feel that if Congress had the courage to submit a constitutional amendment to the people, that the people would ratify it. It would relieve them of the necessity of having to elect a Congressman for 2 years. That keeps him running all the time. But we can't suspend the legislative process here, because it happens to be an election year.

Dr. FLINN. No, sir; I am not suggesting that. But I am suggesting that the medical profession is relying on the statesmanship of the members of the Finance Committee to resist pressure which we feel must be exerted——

Senator BARKLEY. I hope that the statesmanship of this committee will rise to the expectations of the medical profession, but I would like it also to rise to the expectations of the American people.

Dr. FLINN. I agree, sir. But to do so it is our suggestion that a more thorough investigation of this disability problem as described in this bill be made, that it needs considerably more study and information. I myself and my conferees with whom I have discussed it do not know the answers to many of these questions that have been asked.

Senator BARKLEY. This law has been a statute for 21 years, and the coverage has increased almost fantastically since the enactment of the law. Is there any reason why after 21 years we should make a long study of any further amendments, in view of the fact that such inadequacy has not been brought to our attention in the last 20 years?

Dr. FLINN. I am not qualified to answer that question, except in regard to the implications of H. R. 7225. There are questions involved in that which I feel need a great deal of study and clarification before the bill should be passed.

Senator BARKLEY. Are there any other besides disability and the lowering of the age of women?

Dr. FLINN. The disability and the administration of the whole program—how many individuals are involved—whether or not it really is going to amount to such that many of the low-income families will have to pay a higher social-security tax and the Federal income tax which will make living even more difficult.

Senator BARKLEY. Some people pay social-security taxes that don't pay any income taxes.

Dr. FLINN. Yes, sir.

Senator BARKLEY. And I don't know how you are going to avoid that.

Senator LONG. Doctor, have you read this bill in detail?

Dr. FLINN. I have read many excerpts from it, I have read part of it in detail.

Senator LONG. Here is the point I am getting to: I know you are not an attorney, but some of this language I know a layman can interpret. On page 10 of the bill there is the definition of "disability." It seems that the term "disability" means "inability to engage in any substantial gainful activity by reason of any"—and I stress the words—"of any medical determinable physical or mental impairment." That doesn't leave it open for a person just on a subjective basis to say that he is disabled and can't work because something hurts him. If I correctly interpret those terms, that means something that you can demonstrate to a doctor that has been determined to be a physical or mental impairment which prevents this person from engaging in any substantial employment, that is, in any substantial gainful activity, which it seems to me is about as close as a person can draw a definition of "disability."

It appears to be that there are a great number of people who would be actually disabled and yet could not qualify under the terms of this language. And if this were drawn to satisfy the demands of the medical profession, that these people who have subjective evidence of disability but not actual physical evidence that could be determined by a doctor, should not obtain disability insurance. And furthermore, the next section finds the waiting period to mean that a person would have to be out of employment for 6 consecutive months before he could apply, and he would have to be 50 years old. And then he would have to have definite medical evidence that he was disabled. And it seems to me that that has to be something more than just subjective evidence, a doctor has to have something to rely upon to certify a person as being disabled, and they have to wait 6 months before they can get any payment.

Doesn't it seem to you that that is pretty closely drawing the net as as far as preventing any malingerer or persons who do not want to work very much from drawing the disability? He must have been a person who had done work, because he had to have 20 quarters, which means 5 years of work, to prove he was a working person. And then he must have been 50 years old and been out of a job for 6 months prior to the time he expects to receive any sort of payment, and even then he has to have some medical proof.

Wouldn't it appear that that gives a reasonably good protection from certainly a great number of persons receiving disability payments who don't need it?

Dr. FLINN. It may appear that way to you, Senator, but not to me, because you mention that until—that an individual with a subjective complaint would not be acceptable for benefits under this plan. That raises the question of what to do with a group of individuals. Should one who has a backache—which no one has been able to find a foundation for—perhaps there was an injury once—when the symptoms from it cease? How about, for instance, individuals with emotional problems and anxiety? It is very difficult for the most expert psychiatrists at times to say that this individual is disabled and this one is not.

Senator LONG. That is the point I am getting at. It seems to me that so many of these people you are speaking of there now would be disqualified for disability, because there is no medical standard that would qualify them for it, there is no evidence that they can present.

Dr. FLINN. But there are such people who are legitimately disabled. There are people with mental difficulties who are incapable of carrying on a gainful occupation, perhaps permanently, or at least until he can be rehabilitated. But there is very little objective evidence for that. On the contrary, I have heard, for instance, of an individual who was paralyzed from the shoulders down, and other similar catastrophes, who were still able to carry on a gainful occupation, but certainly by all the rules he would be considered disabled.

Senator LONG. It seems to me that this statute resolves this disability question that you doctors would like to have resolved. That is, if you can't prove you are disabled, you don't get the disability payments, which means that there would be a lot of unfortunate people who wouldn't get the payments.

On the other hand, it does seem to me to satisfy the medical profession that there wouldn't be a large number of malingerers.

Dr. FLINN. There will be a group of malingerers. There also will be a group of individuals, it seems to me, who will have little incentive to get well if they can continue to draw disability pay. The amount received will be just enough to make living comfortable, in many instances. But there is, nevertheless, another group where it will be difficult, where there is an honest difference of opinion among physicians as to whether one individual is disabled or not. That is a larger group, I feel, than perhaps you realize.

There are so many vague complaints that can be continued, not always dishonestly, but if that individual had the motivation to get well, he would get well enough to be gainfully employed. There is that angle of the bill, to place emphasis on disability rather than on cash benefits, that is important to us.

Senator LONG. The witnesses here take the point of view that the American Medical Association have not, so far as I know, made the one point that the American people are very good people, and in the main they don't claim disability benefits or anything of that sort unless they genuinely feel they are entitled to it.

Wouldn't you agree with me, that 90 percent of the people are not going to come in here claiming disability if they are able to work?

Dr. FLINN. Certainly, a lot of them. But this isn't all conscious malingering. This is a psychological reaction. They feel they are really disabled, and many of them aren't.

Senator LONG. But the necessity of going without any income, whatever, certainly is going to provide an impetus for the man to go back to work.

Dr. FLINN. I think not. Many of them may have had some illness to get them out of work in the first place.

Senator WILLIAMS. One of your feelings is that alcoholics and narcotics addicts could fall into this category, and might create some public reaction.

Dr. FLINN. That is right.

Senator LONG. Do you find anything on page 10, looking to subsection 2—and I'll pass you my copy—if you find anything in this language that would indicate an alcoholic can qualify as a disabled person, would you tell me?

Dr. FLINN. I don't know whether it spells out alcoholic, but certainly it would come into the emotional group of individuals.

Senator LONG. Just read the sentence there. The second one.

Dr. FLINN [reading]:

> The term "disability" means inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be exepected to result in death or to be of long-continued and indefinite duration.

That certainly includes alcoholism.

Senator LONG. It seems to me if a person says he is unable to engage in any gainful activity, all he has to do is quit drinking and he can go and get himself a job.

Dr. FLINN. That is not very easy, Senator.

Senator LONG. If you would like to have that, I'll be willing to offer an amendment that disability does not include chronic alcoholism. But it seems to me that language certainly excludes any chronic alcoholism.

Dr. FLINN. That would be desirable as far as it goes, but there are a lot of other things for which amendments would have to be made, also.

Senator LONG. Take chronic alcoholism as an example. How do you think anyone is going to get a doctor to produce medically determinable evidence that his drinking is going to make him completely incapable of working?

Dr. FLINN. I would have to leave that to psychiatric consulation, sir.

Senator LONG. I don't think you would want to try the case, would you, Doctor?

Dr. FLINN. No, sir.

Senator LONG. You wouldn't want to be the medical witness to try to convince this group that that man, by medically determinable evidence, could not cure himself, or could not stop consuming alcohol in excess.

Dr. FLINN. I would be willing to say he would be permanently disabled, unless he stopped drinking.

Senator LONG. Your advice would be to stop drinking.

Dr. FLINN. Yes, sir; but it would take more than just advice. It means long, concentrated care, as anyone with any experience in that direction would know.

Senator BARKLEY. This language says, "medically determinable." That wouldn't include psychiatry.

Dr. FLINN. That includes psychiatry as part of the medical determination. There are a lot of psychiatric disabilities one can't see by laboratory tests.

Senator WILLIAMS. Chronic alcoholism is recognized as a disease, today.

Dr. FLINN. Yes, sir.

The CHAIRMAN. Have you finished, sir?

Dr. FLINN. Yes, sir.

The CHAIRMAN. Thank you, sir.

It is very evident we can't complete this testimony today. Do you gentlemen have any wishes in the matter?

Senator LONG. I was hoping we would hear from Dr. Jones, representing the Louisiana Medical Society, Mr. Chairman.

Senator CARLSON. I was hoping, too, we could hear from Dr. Barnes, from Kansas.

The CHAIRMAN. We want to do that, of course, but I realize we can't complete it. I want to ask the Senators if we can have an afternoon session.

Senator BARKLEY. I can't attend an afternoon session, myself, Mr. Chairman. I want to be at this session on the floor.

The CHAIRMAN. Well, the next witness is Dr. Philip Jones, of the Louisiana State Medical Society.

Senator LONG. I want to welcome Dr. Jones here this morning. He is an outstanding member of the medical association in Louisiana.

Dr. Jones is professor of clinical medicine of the Tulane University at New Orleans.

STATEMENT OF PHILIP H. JONES, M. D., THE LOUISIANA STATE MEDICAL SOCIETY

Dr. JONES. Mr. Chairman and members of the committee, I am Dr. Philip H. Jones, a practicing physician, of New Orleans. I am professor of clinical medicine in the Tulane University School of Medicine. I represent the Louisiana State Medical Society.

The members of the Louisiana State Medical Society are concerned about H. R. 7225 as citizens and as physicians. Since Louisiana is a State whose government has ventured furthest toward the welfare state, thoughtful citizens regard the bill as ominous. Its financial provisions will prove burdensome. The average self-employed earner will pay more security tax in 1975 than income tax. The salaried worker will pay 4.5 percent of gross earning, which in many individuals will parallel an additional income tax of 10 to 15 percent.

It is expected that if the bill becomes law it will be the basis for further ventures into the realm of the welfare state.

The reason for such a fear is the history of successive amendments to the original social-security law since 1935, and the parallel observation that 40 years ago when the income tax was made law, no one realized that it would become one of the most important factors in American life today.

The operation of this bill under consideration here would soon require an increase in the payroll tax or support from other sources.

The age limits inevitably would be lowered by successive amendments. The number of those who could qualify for total disability under the loose definition given in the bill would be far greater than the estimated 300,000.

The reason for making this statement is that each one of the 160,000 practicing physicians knows among his own patients at least 5 to 10 persons who could qualify. When mental cases are included, the number potentially receiving benefits in 10 years would be 2 to 3 million.

From the point of view of the individual, as well as that of the national economy, rehabilitation of the disabled is to be preferred to disability support or maintenance.

Competent authorities have estimated that up to 9 out of 10 disabled persons can be rehabilitated if they have the will and opportunity. Payments to the disabled under this bill will have the tendency to discourage effort and initiative, retard rehabilitation, and retard return to productive employment. Nearly every doctor knows of patients who claimed and successfully maintained that the effects of injuries prevented their working—until "the case was settled," when they immediately returned to full employment.

The feature of the bill that gives physicians the most concern, from a professional point of view, is the determination and care of the disability. There are no exact medical, legal, or social methods of determining total disability which are uniformly applicable. Among the majority of those who would seek coverage in this field under this law it would be a matter of the will.

In certifying as to the applicant's status the doctor would be placed between the patient and the Government. Except in a few obvious cases he cannot satisfy both. The patient will pursue his project from doctor to doctor. As in the field of insanity, he may be disabled in one State and competent in another. A clamor will arise for an official determination by medical governmental authority. This would be followed by the demand that the same official care for the patient while disabled. As the age limits of 18 and 50 approach each other in successive legislative alternations, a full-fledged system of gradually expanding State medicine will be developed among us.

To this, the physicians whom I represent and those generally over the Nation are emphatically opposed. The contention that this sequence of events is threatening is supported by the provisions in the amendments to the Social Security Act.

Certain amendments of the 81st, the 82d, and the 83d Congresses provided payment from public funds for physicians—"vendors of medical care"—to treat disabled charity patients covered by the Social Security Act, and certain other amendments established the "disability freeze" entailing a projected medical certification.

The precedent for the determination of disability on terms of a Federal program was thus established.

These amendments were in preparation for the present bill, and our spokesman contended at the time of enactment that disability benefits would be the next step.

In summary, this bill would be a financial burden on the individual and the economy.

This bill will be a dangerous step toward Government socialized medicine and welfare state.

The CHAIRMAN. Any question?

Senator LONG. I am rather distressed to see you refer to the State that I represent as a welfare state.

Did you have occasion to read the latest election returns in Louisiana and see how people feel about the welfare program down there?

Dr. JONES. Very much so. I still disagree with the program.

Senator LONG. You disagree with the majority of the people in Louisiana, do you not?

Dr. JONES. Unfortunately, yes.

Senator LONG. Do you understand the man who established that program has just been reelected over four other good opponents in that community, and the men he defeated offered to go as far as he had gone with that program?

Dr. JONES. I realize that. Also I realize that we are first in the category which means that the limit of taxation is being approached, and we cannot continue to take the amount of tax from the individual with all consequences which will be disastrous ultimately.

Senator LONG. The people of Louisiana don't seem to be as seriously worried about that as you do, however, do they? Because they seem to take a different point of view.

Dr. JONES. They take a decidedly different point of view, but they have not as yet seen the consequences of their own planning.

Senator BARKLEY. You are seeking to preserve the people from themselves, as I understand it.

Dr. JONES. It has been said that without vision the people perish.

Senator LONG. I would like to ask one further question.

Are you familiar with the fact that since Louisiana has put that program into effect, it has far exceeded the national average in industrial expansion and also in increase in population, and exceeded the national average in increase per capita income?

Dr. JONES. It has participated in a sort of changing situation, current over the South. But still we are first in the number of free hospital beds, first in the amount of public assistance, where eight-plus of each hundred are on the public payrolls. We are first in old-age assistance of those over 65, where 604 out of a thousand are receiving old-age assistance.

We are first in disability assistance, and we are first in the ratio of State tax collections to personal income, which makes us, in effect, the highest taxed State in the Nation.

Senator LONG. And the people seem to be very well satisfied with it.

Dr. JONES. They do not yet know the consequences of the way they are drifting.

Senator LONG. Did you know that since that program went into effect, Louisiana has exceeded the average southern State with the exception of Texas and Florida, in the increase of its per capita income and industrial expansion?

Dr. JONES. I am aware of the fact that we have participated in the boom, but we are still the highest taxed State in the Nation.

Senator LONG. You are speaking with relation to per capita income, percentage of per capita income?

Dr. JONES. Yes.

The CHAIRMAN. Are there any further questions?

Senator BARKLEY. Doctor, I am interested in your philosophy here. It intrigues me. I would like to ask you to make a comparison.

In my State, and I suppose in all States, every city of any size has a department of health.

Dr. JONES. Louisiana had the first one.

Senator BARKLEY. I am talking about the city. The city has a department of health. It has probably a hospital that is publicly owned, a city hospital. It may have a city physician appointed by the mayor or by the city council, or by the commissioners, whatever the form of government may be, and it is the duty of that city hospital not only to throw the doors open to the public generally who can pay for the treatment, but also for those who cannot. And it is the duty of the city physician to attend and treat those who are indigent and cannot pay for a doctor.

I happen to live in a county where we had an institution that was called the poorhouse. We changed the name of it to the county sanitarium, and built a new building, a very commodious building. We had a county physician whose duty it was to visit that hospital at the sanitarium every day to attend to the needs of the patients, of the inmates, who were poor and sick. He provided medicine for them at public expense.

That is true all over this country, has been for anywhere from a half century to a century. That is true in the cities and in the counties.

Do you object to that?

Dr. JONES. By no means.

Senator BARKLEY. Well, now, not only on that level, but every State in this Union has a State health department. We have one in Kentucky, you have a very good one in Louisiana. Is the duty of that health department and those who are appointed to administer it to help create conditions that will promote the health of their people? They all do a good job, I think. You approve of that, of course.

Dr. JONES. I would like to qualify the approval.

Senator BARKLEY. Go ahead, please.

Dr. JONES. Through generations, physicians have contrived to take care of the indigent in one way or another, frequently with the assistance of governmental authority.

There is a great deal of difference between charity administered by the State and the physician for the benefit of the idigent sick—between that and the state of affairs where the individual is going to be treated by a State physician as a part of his right and legal privilege. One is a practicing of medicine the best it can be done. The other is State medicine, which is a signal for deterioration.

Senator BARKLEY. I think we are a long way from that. The fact that the cities and the counties and States provide that those who are in need of medical care shall have it, by no means presupposes that we are ever going to arrive at a time that all people, regardless of their financial situation, feel they have a right to call on the county or city or State physician. I don't think anything Congress has done heretofore looks to that.

Getting to a higher level, we passed what is known as the Hill-Burton Act to aid the counties and States in building hospitals. Do you approve of that?

Dr. JONES. That was helpful.

Senator BARKLEY. Doctors approve of that.

Dr. JONES. Yes.

Senator BARKLEY. And the American Medical Association approved it.

Dr. JONES. They do not approve of the Federal Government maintaining the hospitals.

Senator BARKLEY. What is the difference between the Federal Government building the hospital and the Federal Government building it and maintaining it?

Dr. JONES. On the one hand, the Government is helping build a hospital, if it is practical. If it builds it and turns it over to the physicians, they run it.

Senator BARKLEY. Other than those run by the Public Health Service, are there any hospitals to which the Government has contributed under the Hill-Burton Act where the Government maintains or helps to maintain the hospitals by paying the nurses, janitors, and all those who have to work in the hospitals?

Dr. JONES. That was kept out of the bill by various representations.

Senator BARKLEY. What I am driving at is, where you have these local efforts in behalf of health, you have these locally employed physicians in these public institutions in cities and in counties in the State, which I think most people will agree is a proper activity of government. I don't think the medical profession has objected to that. Why does it become so vicious and so paternalistic if the Federal Government tries to do the same thing on a nationwide scale that every county and city and State is doing locally?

Dr. JONES. Because then they will be lifting themselves out of the realm of charity medicine into the realm of giving charity care to an individual as a legal right. That is the essence of state medicine. It will lead toward the welfare state and do away with private enterprise.

Senator BARKLEY. Have you as a physician or as a citizen undertaken to analyze what the forefathers of our country had in mind when they wrote into the preamble of the Constitution the objectives of the Constitution, to provide for the common defense, and promote the general welfare—what they had in mind when they said, "general welfare"?

Dr. JONES. I think they looked in those days on the citizen as one who would support the state, not that the state would support the citizen.

Senator BARKLEY. Why did they put in there, "to promote the general welfare"?

Dr. JONES. By maintenance of order and the legal regime of social organization. They did not prefer, I don't think——

Senator BARKLEY. In other words, a sort of mental welfare and not physical.

Dr. JONES. It was to perpetuate what was spoken of in those days as the King's peace.

Senator BARKLEY. That term is one that I recall from my student days, but I don't think it quite explains what they had in mind when they wrote in the welfare clause of our Constitution. I know honest men differ about that means, and what they would have done under it.

I happen to be one of those Senators who doesn't gag at the term "welfare."

That is all, Mr. Chairman.

Senator MARTIN. I would like to make this comment. I think the witness has brought to us some very valuable information. Part of it may be his own opinion, but it does seem from his attitude that he has given a great amount of study to this proposition. I would like to—it will take just a moment.

I have been making a survey for my own use, and I have come to this conclusion after talking with men that are much better informed than I am, that we now take from all taxes, local, State, and Federal, 27 cents out of every dollar that a man or woman earns. If we continue at the same rate for the next 25 years, we will take 50 percent, and when that occurs I believe that the witness will agree with me that it would be pretty hard to keep us from becoming a socialized state.

Dr. JONES. There is an Australian economist who says that when you pass 29 percent you invite either a paralyzing panic or runaway inflation.

Senator BARKLEY. You will excuse me, Mr. Chairman. I have to go to the floor.

I would like to say that I agree with you and all of those who have testified that there is a danger that this thing might break down of its own weight some day. I think that is a matter that has to be very carefully considered. But I am not willing to concede that after all the years of experience and growth and investigation and practice in the medical profession that they cannot with some reasonable degree of certainty arrive at a medically determinable point where a man is totally and permanently disabled. And I am not willing to concede that there are so many malingerers in the medical profession that they would certify a man as permanently disabled in order not to lose a patient.

Dr. JONES. The definition as it is written contradicts itself. It says "medically determinable physical" and then uses the words "mental disorder."

There is no physical determination for mental disorder. Immediately that puts the definition in the realm of physical, mental, emotional, and such types of disability, feigned or otherwise.

Senator BARKLEY. Could you correct that deficiency by suggesting a better definition?

Dr. JONES. As I stated in my written phase, this disability is so difficult to define and so fleeting in its type of performance that I would hesitate to give any definition at this time.

The CHAIRMAN. Are there any further questions?

Doctor, we thank you very much for your contribution.

The next witness is Dr. H. Phillip Hampton, of the Florida Medical Association.

Dr. Hampton, Senator Smathers wants me to welcome you. He is absent today.

STATEMENT OF H. PHILLIP HAMPTON, M. D., FLORIDA MEDICAL ASSOCIATION, TAMPA, FLA.

Dr. HAMPTON. Mr. Chairman and members of the committee: My name is Dr. H. Phillip Hampton. I am engaged in the private practice of medicine in Tampa, Fla. I am here today representing the Florida Medical Association. The brief statements I wish to make concerning certain amendments to the Social Security Act in H. R. 7225 are not

to represent any large group or special interests but to relate my personal experiences as a physician in military and civilian life determining permanent and total disability.

There are some figures to support my contention, but of necessity my opinions are mainly generalizations derived from many individual experiences. The state of permanent and total disability, although ominous and final in its connotation, defies definition and, regardless of the medically determined infirmity, the degree of real disability is a matter of will and motivation which is difficult to represent statistically.

I have had personal experience in the determination of permanent and total disability under governmental regulation. As an examining officer for an Army retiring board during part of World War II, I examined and testified concerning the disability of several hundred Army officers and compiled the results of this experience for publication in 1943. In this series of cases the most frequent cause of disability was psychoneurosis. About 50 percent of the disabilities were psychiatric in origin. Many officers retired for physical disability were capable and willing to continue military service but their retirement was required by regulation. The regulations concerning disability retirements were changed repeatedly and apparently according to the exigencies of the situation. The list and frequency of the retiring diagnoses of 447 officers is appended.

As a medical officer on a military board to award certificates of disability discharge to hundreds of enlisted men in the Army, my impression of the disability diagnoses were similar to those enumerated for the retired officers.

As a result of these experiences, it is my opinion that no one is more disabled for service than he who does not wish to serve, and serious physical handicap need not disable a person determined to serve. It is impossible by regulation to adequately define disability and to prevent flagrant abuse of disability benefits.

It was obvious that the possibility of benefit from a minor infirmity encouraged disability in order to seek gain. The disappointing spectacle of thousands of men after brief military service in this country receiving disability discharges from military service in time of war and national peril reached the proportion of a national scandal.

Conversely, to observe the conduct of men who had been recently wounded in battle and when collected together by the hundreds under tents barely made a sound, were most grateful for any attention, and concerned for the wounded man next them, was an experience which inspired pride and confidence in the courage of the people of our Nation.

Senator MARTIN. Would it interfere if I asked a question right here?

Dr. HAMPTON. No, sir.

Senator MARTIN. I am very much impressed with this statement. Did you ever have any experience as a medical officer with a unit, a combat unit?

Dr. HAMPTON. No, sir; my experience was with general hospitals. We had a general hospital just in back of the combat units.

Senator MARTIN. What you are stating there relative to wounded men is a magnificent compliment, and it is so true, how our boys will suffer without complaint.

I would just like to add this, and I think it is along the lines we have been discussing this morning—the number of men, when an order is issued to go into the line, the number of men that become disabled, and how difficult it is for the medical officer to determine whether it is real or whether it is a fake. You don't want to send a man into action that is not in good physical condition, but it is so hard to determine, and that has been discussed this morning.

It is not only—well, I don't know of any better word than the "faker." We have a lot of fakers in politics, we have fakers in business and in professions, and everywhere else. They are not dishonest, they are just fakers.

Dr. HAMPTON. It is a military principle that the number of men who become disabled at the time of combat is directly a function of their command. If their command is good, there are fewer men who become disabled. If the command is good, the motivation and the will is there. This experience with hundreds of men is when they were flown back—and this is one of the marvels of our wars today—when they were flown back from the large line hospitals to the military hospitals we had thousands of men come in every day and we could observe their actions. It was one of the most inspiring experiences of my life.

Senator MARTIN. And it is amazing the number of severely wounded men that will leave the hospital without consent and go back to the line. It is amazing.

And, on the other hand, we have the group that becomes suddenly ill.

Keep this off the record, please.

(Discussion off the record.)

Dr. HAMPTON. I submit that, although there was some selection, these two groups of men were from the same country, same environment, and same families but under different influences of motivation, spirit and will.

As a physician in private practice since the war, I have examined many people to determine the nature and extent of their disability, including workmen's compensation claimants and recipients of public welfare being considered for rehabilitation under the recently inaugurated rehabilitation program of the Department of Health, Education and Welfare.

I have been impressed with the similarity of disabilities in these circumstances in comparison with those in military experience. Financial compensation for being disabled makes rehabilitation an almost impossible task and causes many to seek such compensation who simply do not have the desire to work.

It is a fundamental fact of human behavior that reward for illness aggravates and perpetuates disability and dependency.

There is no more pitiful, useless, and unhappy person than one who has given up his work and opportunities in life in order to justify drawing a small disability pension. He becomes preoccupied with his complaints, dissatisfied with his lot, feels the world owes him a living, and is a complete liability dependent on his pensioner.

To provide cash payments for disability under the social-security laws would create a national welfare program impossible to regulate, incalculable in cost which would markedly increase in times of unem-

ployment, and insidiously destructive of our most vital national resource—manpower initiative.

Aid to the disabled has an emotional appeal to all of us and physicians have dedicated their lives and services to this cause. Cash disability payments would not accomplish the desired benevolent end but, on the contrary, would foster deceit, deter rehabilitation, and confound administration of practical constructive aid to the disabled.

In addition, cash disability payments would tend to addict the recipient to dependence on the State and thus destroy his freedom. The cost necessary to support such a pension program may become so oppressive as to destroy the initiative and freedom of those yet able to work, and deplete the established trust fund for social-security benefits.

We must find some other way to aid the disabled so that they may be encouraged and enable to participate in worthwhile endeavors in order to have an interest in a useful life and be the assets to our Nation of which many are capable.

If democracy is to survive, we must intelligently use our resources to relieve mass misery but yet preserve the initiative and integrity of its free individuals.

The amendments to the social-security laws proposed in H. R. 7225 should have a careful analysis of their survival value for our democratic nation in a world where strong forces are seeking to destroy us.

TABLE I.—*Retiring diagnoses*

	Number of cases
Neuropsychiatric disabilities:	
Psychoneurosis	173
Posttraumatic head syndrome	9
Psychosis, unclassified	10
Dementia praecox	12
Manic depressive psychosis	3
Paranoid condition	1
Melancholia, involutional	1
Epilepsy, idiopathic	9
Epilepsy, Jacksonian	2
Migraine	3
Disseminated sclerosis	2
Subarachnoid hemorrhage	1
Brain tumor	1
Myelitis, traumatic	1
Total	228
Gastrointestinal disabilities:	
Duodenal ulcer	37
Cholecystitis	2
Enteritis, chronic, segmental	1
Carcinoma of the stomach	1
Diaphragmatic hernia	1
Carcinoma of the rectum	1
Diverticulosis	1
Carcinoma of the colon	1
Diarrhea, chronic	1
Gastritis, chronic	1
Chronic ulcerative colitis	1
Total	48

TABLE I.—*Retiring diagnosis*—Continued

	Number of cases
Allergic disabilities:	
Bronchial asthma	26
Hay fever	8
Urticari	1
Angioneurotic edema	1
Total	36
Cardiovascular disabilities:	
Coronary occlusion	7
Arterial hypertension	6
Angina Pectoris	5
Rheumatic heart disease	4
Cerebral thrombosis	3
Thromboangiitis obliterans	1
Coarctation of the aorta	1
Raynaud's disease	1
Total	33
Bone and joint disabilities:	
Arthritis:	
Hypertrophic	13
Traumatic	12
Rheumatoid	10
Protruded intervertebral disk	5
Pes planus	5
Pes cavus	3
Metatarsalgia	2
Dislocation, recurrent	2
Fracture with faulty union	1
Total	53
Eye, ear, nose, and throat disabilities:	
Defective hearing	7
Otitis media	4
Otitis externa	1
Otitis interna	1
Pansinusitis	3
Laryngitis, chronic	1
Meniere's disease	2
Astigmatism	4
Exophoria	1
Chorioretinitis, chronic	1
Cataract	2
Conjunctivitis, chronic	1
Foreign body, eye	1
Total	29
Other disabilities:	
Dermatitis, neuro	4
Dermatitis, radio	1
Diabetes mellitus	2
Kidney, congenital deformity	3
Melanoma	1
Banti's syndrome	1
Obesity	1
Myositis	1
Pyelonephritis	1
Pancreatitis, chronic	1
Syphilis, neuro	1
Skull fracture defect	1
Amputation	2
Total	20
Grand total	447

The CHAIRMAN. Thank you, Doctor, very much.

Senator MARTIN. It was a very good statement.

Senator LONG. Doctor, you would recognize the difference, woludn't you, between certifying a serviceman as partially disabled, as many of them are, having 5, 10, or 20 percent disability certifications, and a disability certification required under this act?

This would be a certification that a person would be unable to engage in any substantially gainful employment by reason of any medically determinable physical or mental impairment.

Now, certanly, a tremendous percentage of these cases could never have qualified under this type of language, could they? Most of them are partially disabled, or totally disabled from any gainful employment.

Dr. HAMPTON. Whether or not they were disabled from a wound or a back injury or any cause whatever is a matter of will. They could have a minor osteoarthritis. Everyone gets it at 40 or 50. If they say they have a pain in the back—it is a matter of will. Then they are disabled.

If they get so worried about their disability compensation that they are worried or irritable and beat their wives or their families, then they are ill, because they are worried about their compensation. The courts have upheld compensation neurosis as a compensation disability. If a man is permanently and totally disabled, it is the will of the man. There is no test that I know of to show this graphically.

Senator LONG. We have a very liberal welfare program in Louisiana. The previous witness disapproved of it, but the people voted for it.

It seems to me we might well have our public welfare directors from there testify what their experience has been under our disability program. I believe our program is about 10 percent of our old-age assistance program, and so far as I can see, we haven't had any difficulty determining our disability.

There they have a 6-month waiting period.

Dr. HAMPTON. The Governor of Florida has appointed a committee to study the problem of indigency and disease. He named me chairman of it. They made an intensive study and published two volumes on it, and have set up a plan of hospitalization of the indigents, and we borrowed a strategem of the Federal Government in trying to encourage the county governments that theirs is the responsibility to take care of the people who gained the aid and sympathy of society because of disability and indigency.

The county government was the one responsible, we felt. We found that the counties ignored that responsibility, and many of those who needed assistance did not get the proper care. It fell upon the State, and eventually the Federal Government came in and assumed much of the responsibility.

We set up an office to encourage the counties to assume their moral and financial responsibility to these people and to set up programs within the counties. We hope this program will become more and more county and the State will get out of it altogether. It can be administered more economically and better care can be given more economically at the local level.

Senator LONG. Have you made any study of what the experience has been in Louisiana?

Dr. HAMPTON. No, sir; I have not.

The CHAIRMAN. Thank you, Doctor.

The next witness is Dr. C. M. Barnes, Kansas Medical Society.

Senator CARLSON. I just wish to state that Dr. Barnes appears here as physician and surgeon and president of the Kansas State Medical Society, which is one of the finest medical societies in the Nation. It has helped the State in rehabilitations and rural health programs. I am personally pleased that Dr. Barnes is here.

Senator MARTIN. Off the record.

(Discussion off the record.)

STATEMENT OF CONRAD M. BARNES, M. D., THE KANSAS MEDICAL SOCIETY

Dr. BARNES. I am very happy to be here today and appreciate this opportunity of appearing before you as president of our State medical society. I represent a medical society that is older than the State of Kansas.

The Kansas Medical Society was organized to drive quackery out of the healing profession and to raise the standards of medical care in Kansas. At least partly because of this nearly 100 years of standard raising struggle, it has just been reported by the Metropolitan Life Insurance Co. that people live 1.7 years longer in Kansas than in most other parts of the United States.

The doctors of Kansas oppose H. R. 7225 because it would lower the standard of medical care. In other words, if H. R. 7225 were enacted, the health of the people would suffer. There are many ways that such a law would negatively influence medical and health care.

I am a family doctor from a rural Kansas town of 2,100 people. Among my activities as a general family doctor, I am a preceptor for the University of Kansas Medical School. In this capacity I help teach and train our young student doctors. Each senior student is required to spend 6 weeks at living and learning a medical way of life with a country doctor in Kansas before he can receive his doctor of medicine degree.

As such a member of the faculty of the medical school, I am familiar with medical-school conditions and students' attitudes.

H. R. 7225 would further discourage young men and women about studying medicine. Socialistic inroads already established and the recurrent threat to turn toward socialistic medicine help to influence many of our most promising youth not to study medicine. This difficulty is not present in Kansas, alone, but is present in other States as well.

The past 2 years, despite the fact that we are trying to produce more doctors, we have had trouble filling our medical classes with qualified students. Surely a law that makes doctors justly unhappy will also prevent many students from becoming doctors.

In the face of a rapidly increasing population, this is an alarming situation. H. R. 7225, increasing socialization so significantly, would further impede the production of qualified physicians.

Most doctors are free thinkers and are patriots who, having studied American history, and who, having been interested in preserving our American heritage for our children's children, will do everything

possible to prevent additional social security extension from lessening the quality of medical care. H. R. 7225 would also place an added drain on our financial economy and security, particularly for our children.

Since the goal of the doctor is to get the patient well and to rehabilitate him, the provision of cash payments to the disabled is paradoxical. Cash payments will tend to restrict the vitally important "will" or "desire" to be rehabilitated.

Cash payments will contribute to malingering. The provision of cash payments for disability would be a great step to Government-controlled medical care or socialized medicine. We physicians feel it would lead to financial irresponsibility and national bankruptcy and impoverish medical care and rehabilitation.

In summary, I want to say that the doctors of Kansas have specific reasons for opposing the system of disability payments as set forth in H. R. 7225.

First, it would rob thousands of handicapped patients of the will to readjust and to recover, as the lure of steady monthly checks would be more attractive than the prospect of rehabilitation.

Second, this would be an important step in the direction of a Federal program of compulsory medical care.

Third, this and other unfavorable aspects of medical practice would discourage more and more prospective students from entering medical schools.

Fourth, there is the grave threat that the financial burdens of this plan would endanger the social-security structure itself.

We doctors cannot see a present crisis of any kind that makes such a law as H. R. 7225 necessary.

Thank you, most sincerely, for allowing me to present the views of Kansas doctors today. If I may answer questions, I'll be most happy to do so in further explaining my objections.

Senator CARLSON. Dr. Barnes stated that he is instructor at the University of Kansas Medical School. I am sure the doctor would agree with me that in the last decade or so, the State of Kansas, through our legislature, has expanded the medical training program in the State, and we are getting along very well.

Dr. BARNES. I am very happy to agree with you on that, and to amplify it to this extent. At the present time, we are proud to have the largest total medical-institution enrollment in the world.

Senator MARTIN. What was that, sir?

Senator CARLSON. I would like to have that repeated, myself.

Dr. BARNES. At the present time, we have the largest university medical school for the training of medical people in the world.

Senator MARTIN. How many students do you have?

Dr. BARNES. We have a class of 125 medical students, but in the allied medical technical arts, with our residency program and our technical people, more than 800 people are enrolled at the University of Kansas Medical School at this time.

Senator CARLSON. I am very pleased to have him point that out. The State of Kansas has been working on this for many years. The present chancellor of the university, Dr. Franklin Murphy, has worked very hard at that, as have all the folks associated with it. I am pleased to get the report, because we are proud of the progress we are making in that field.

Dr. BARNES. I want to mention this fact, too. I think no one has mentioned this particular angle previously about this bill.

We feel that medical care would suffer qualitatively and quantitatively, as well, from many standpoints, but particularly from the standpoint of future doctors of this country. I think perhaps no one has called that to your attention before.

Senator MARTIN. That statement disturbed me a lot, because in my own State of Pennsylvania we are having a great deal of trouble getting the doctors that we need out in the smaller communities. Doctors are able at the present time to receive compensation equal with other professions; aren't they?

Dr. BARNES. Yes. It is not a matter of finance, apparently.

Senator MARTIN. It disturbed me a lot because this thing of having—when I was a young man living out on a farm in Pennsylvania each one of our little villages had a physician. Now we don't have it, and they tell me—I thought it was because of the increase in population, but you are bringing up something there that is entirely different.

Senator CARLSON. Right on that point; this is going to be a little egotism on my part. But as Governor of the State of Kansas we started the rural health program. I wish Dr. Barnes would state very briefly what has been accomplished under that in getting the doctors out in the smaller rural communities. It is something we are proud of, and we have had national and international recognition of it.

Dr. BARNES. We are very proud of it, and as I mentioned previously, one of the phases of it is the preceptorship program. Since the start of it, we have accomplished the fact of convincing young medical students that they should be family doctors or general practitioners to the extent that—well, very slightly from year to year, but all the way from 70 to 90 percent of our graduates are now going to smaller communities to practice, rather than taking up specialties. This, we hope, will cure any possible maladjustment of the location of doctors or the type of practice they are engaged in.

Senator LONG. How do you persuade them to do that?

Dr. BARNES. We take them out in the country to live with us and show them how wonderful it is.

Senator CARLSON. We have a program whereby local communities construct their hospitals——

Dr. BARNES. I was going into that.

Senator CARLSON. Oh, I am sorry.

Dr. BARNES. The local communities have been educated and advised by our rural health program to make conditions as good as they can for these doctors. They have gone to a great deal of trouble to do this. They have built offices and have agreed to do most everything to get the young doctor started in their community. He can go out to one of these towns needing a doctor, and practically name his own contract. He can say what he wants to do, and get them to agree to it.

As a result of this, we have no small community in our State where no doctor is available, despite the sparseness of the situation. We are proud of the fact that no community in our State is farther away than 30 minutes from the services of a doctor.

Senator LONG. You say he can name his own contract. What does the word "contract" mean here?

Dr. BARNES. He does not have to be a rich man or have private financing to start out. The community will let him name his own terms as to when he can pay them back.

Senator LONG. You mean the private citizens get together and lend him money or does the city?

Dr. BARNES. Yes, the city council or in some towns I have known even private individuals, knowing the worth of a doctor was so great to the community, that they individually footed the bill to get the doctor started.

Senator LONG. You say in some instances, and I gather that is the average case, the local communities through their governing body either loan the man some money or——

Dr. BARNES. Yes, they do that, or they will build his office for him. He can name his own terms when he can pay it back.

Senator LONG. We certainly need doctors in the rural communities in Louisiana.

It looks like we are going to have a witness here from every State in the Union representing the State medical society against this bill, the way things are going.

How did all this get started? Did the American Medical Association pass a resolution at their national convention and decide they were going to oppose this bill, or did the State societies pass resolutions individually and bring it up? How was all this arrived at, this decision that every State was going to send someone here to testify against this bill?

Dr. BARNES. I think this is something very close to the hearts of all doctors. I am real sure that as soon as some of us here who are responsible for the welfare of other doctors in our constituent States learned of this bill and heard the provisions, we wanted to do something about it. If there seems to be some type of organized effort about this, it is perhaps well that it were, because it would be less trouble to this committee if it were handled in such a nice orderly manner.

I do know this is something we doctors are taking very seriously. We feel it is a very important thing to the future of medicine, and we feel we are the only people qualified to tell you gentlemen about this, and that we alone know the possible dangers about this type of interference with the normal patient-doctor relationship.

Senator LONG. I assume that your testimony is supported by resolutions in the Kansas Medical Society. It might be helpful to me to know if the Kansas Medical Society passed its resolution after the American Medical Association passed its resolution or before that.

Dr. BARNES. Our house of delegates has not met since this came to our attention. We are to meet on Sunday, February 26. I am empowered by our medical society, constituting the principal officers, to say what I said today.

Senator LONG. Can you tell me whether or not somebody connected with the American Medical Association advised your Kansas society that it would be a good idea for your Kansas society to have someone testify opposing this bill?

Dr. BARNES. We would like to have this opportunity. When it was announced, we have, of course, been in touch with our American Medical Association. But you will notice that there is some difference in the opinion of our constituent State societies and the American Medical

Association. I think you will find by and large the State societies feel much more strongly, and express themselves much more vehemently about this, than the American Medical Association does.

Senator LONG. I hope you understand, Doctor, we are not singling you out. Everybody is investigating everybody. We are even going to investigate other Senators pretty soon. I am just trying to find out if the American Medical Association went on record before the State societies or vice versa.

Dr. BARNES. No, it is a sort of spontaneous thing.

Senator CARLSON. I don't think, Senator Long, you wanted to leave the impression that they have no right to petition you.

Senator LONG. Well, no, but I thought the gas people had a right to petition, but I didn't know they would leave $2,500 in an envelope some place. [Laughter.]

The CHAIRMAN. The next witness is Dr. Denton Kerr of the Harris County Medical Association.

STATEMENT OF DR. DENTON KERR, HARRIS COUNTY MEDICAL SOCIETY, STATE OF TEXAS

Dr. KERR. Mr. Chairman and members of the committee, my name is Denton Kerr. My home is Houston, Tex. I represent the Harris County Medical Society which has over 1,200 members. I sincerely appreciate the opportunity of appearing before you to discuss briefly some of the phases of H. R. 7225. Since by specialty is gynecology or diseases of women, I should like to deal chiefly with the aspects of the bill that would so deeply affect the women of America and our national economy.

The bill, if it becomes a law, would make women over 50 years of age who are totally and permanently disabled the responsibility of the Federal Government. It would also lower the age of retirement from 65 to 62. The length of life is rapidly increasing, and if the age limit is to be altered it seems reasonable that the age limits should be raised rather than lowered. Sweden has increased the age of retirement from 65 to 67 and now England is recommending a 3-year increase, because they are finding it so difficult to finance their present program. I urge the committee to recommend to Congress that the entire social-security system be thoroughly studied before extending its benefits. If the retirement age is to be lowered, why not come down to include the decade of 40 to 50, for this includes the climacteric or change of life. The child-bearing age is largely 20 to 40. It could therefore be argued out of respect for the institution of motherhood that this group should certainly be included. Who knows but what that will soon be recommended by those who are more concerned with the so-called security of the population than they are with our national economy and individual freedom?

At age 65 an individual today has a life expectancy of 11.55 years, while a person age 50 can expect to live 21.37 years. Since women are outliving men by almost 5 years and with the increasing lifespan, our Government would soon be liable for a large segment of our female population over one-third of their lives. This increased expense can be met only by increasing the taxes, which are extremely burdensome already, or by reducing the amount of aid to the people over 65 years of age.

Many thousand women now employed are working not of necessity but for a limited time to help furnish the home, buy a new car, or replenish their wardrobe. They intend to stop working as soon as they accomplish their aim. Many who become ill or injured during this time will find it more difficult to resist applying for a tax-free check for the rest of their lives than to return to work. The decade between 40 and 50 comprises the most trying years of many women's lives. This is not due so much to their weakened physical condition as it is to their mental or psychological outlook. Certainly many of them could resolve during these trying years to allow a benevolent government to take over for them as soon as they reach their 50th birthday.

Total disability is most difficult to determine. The will to work plays a very important part in a person's ability to work. The proposed legislation would encourage the individual to be dependent upon the Government for security. It will cause some people to lose their desire for financial independence. The more conscientious citizen will find the tax burden heavier and heavier and finally he will find it so difficult to carry the load that he too will consider stopping work.

1. In summary, let me urge first that the present social-security system be critically and thoroughly studied before any changes are made at all. It may be found that our present commitments and obligations cannot be met in the future without disrupting the economy of our country.

2. If the age limit is to be changed, let us revise it upward to keep pace with the increasing lifespan as other nations are finding it necessary to do.

3. H. R. 7225, with its poorly defined disability clause, would most surely lead to malingering and neurotic tendencies. It would in many cases discourage the will to work and destroy the desire for self-support.

4. It would increase taxes in an amount that actuaries are not able to estimate with any degree of accuracy.

5. Lowering the retirement age and establishing a disability system could weaken private initiative to plan for the eventuality of loss of income. The characteristic of Americans to plan ahead has brought about in this country a successful voluntary insurance industry, which industry this law would tend to destroy.

6. It is a step further down the road toward higher public debts, deficit spending, and Fabian socialism.

I wish to thank you again for allowing me to appear before you and present these facts.

The CHAIRMAN. Thank you, Doctor. Glad to have you, sir.

Next witness is Dr. G. H. Drumheller, from the Everett Clinic.

STATEMENT OF DR. GEORGE H. DRUMHELLER, THE EVERETT CLINIC, EVERETT, WASH.

The CHAIRMAN. Be seated, sir. Glad to have you.

Dr. DRUMHELLER. Mr. Chairman and members of the committee, my name is George H. Drumheller. I am a licensed physician actively practicing ophthalmology and otolaryngology in a group practice

with eight other physicians in Everett, Wash. I graduated from the University of Pittsburgh School of Medicine in 1938 and have actively been engaged in the care of the well and the sick since that time. I served 3 years in the United States Navy as a medical officer during World War II. I have been a diplomate of the American Board of Otolaryngology since 1950. I am currently serving as president to the Snohomish County Medical Society, whose membership number 87.

There are four county medical societies in the Second Congressional District of the State of Washington. The physician members of these medical societies are virtually unanimous in their opposition to H. R. 7225. The presidents of each of these county medical societies have requested me to convey their sentiments to you. Several resolutions to this effect are appended to this statement.

I have traveled approximately 3,000 miles, not at Government expense, to tell this committee why I am opposed to H. R. 7225.

As a physician, I am opposed to this bill because I know from experience that an impartial board of physicians cannot be set up in any country which will be able to screen all of the malingerers without being unfair to some of the disabled. Cinversely ,I know that if the rigid requirements of certification of the disabled are relaxed, it will open the door for innumerable fraudulent claims.

As a physician, I know that I cannot serve two masters, that is, a patient and the Government. If I accept the patient as my employer, I must then not only evaluate the subjective and objective findings, but I must also consider the family and relatives of the patient. It is common knowledge among physicians that when a doctor turns down a patient's request to sign a disability statement, the patient may go from one physician to another until he finds one who will sign the certificate. We know further that there can be honest disagreement of opinion between two physicians, so it leaves plenty of room for a physician to become liberal in his judgment. Being too liberal in a program as proposed would be a disservice to the Government, and would increase the cost unnecessarily. Further, the patient then transfers his family, friends, relatives, and anyone he can influence from the practice of the honest physician to the practice of the liberal physician.

This legislation would encourage liberal interpretation by physicians. It would then be no time at all before the numbers of the disabled in this country would swell beyond your wildest estimation. This is not in the best interest of the citizens of the United States.

Physicians working for the Government, would not be able to have the best interests of the patient uppermost in mind. Government physicians follow the dictates of the administration, and you, gentlemen, certainly are more familiar with the clamor of constituents than I am. While serving in the United States Navy, I knew of a situation where a medical officer was ordered by his commanding officer to survey a line officer who, in his opinion, in the opinion of the medical officer, did not meet the requirements for survey, but he was serving a Government master, and was required to do so against his better judgment. There is an abundance of evidence to show that when the Government is the master of the physician, there will be wasteful, immoral results in the matter of disability pensions.

All of the physicians of my congressional district with whom I have discussed this subject readily agree that H. R. 7225 will be a disadvantage to the Government and to the patient. We collectively have experience in handling disability cases for compensation purposes which is second to no other group of individuals of similar number. What we find so crystal clear in our minds is apparently not so clear to the House of Representatives when we examine its vote on H. R. 7225. I have heard not one word from any physician in favor of this legislation. We have physicians in both political parties in the Snohomish County Medical Society, and we unanimously are opposed to H. R. 7225.

I have not gone into the many-sided technical discussions of actuarial statistics, medical difficulties of women, lack of comprehension of the final tax burden, or other hazards of the bill, as I feel that this beclouds the point that I am making. That point is that the people I know, who are the most experienced in the certification of the disabled, can clearly and unanimously state without reservation that H. R. 7225 is poor legislation and will be bad for the people of the United States of America.

I wish to thank the chairman and members of this committee for the opportunity to testify, and if any of you have any questions regarding my statement, I would be glad to give you an answer.

(The following was submitted for the record by Dr. Drumheller:)

WHATCOM COUNTY MEDICAL SOCIETY,
Bellingham, Wash., February 17, 1956.

G. H. DRUMHELLER, M. D.,
600–625 Central Building,
Everett, Wash.

DEAR DR. DRUMHELLER: At the February meeting of the Whatcom County Medical Society, held February 6, 1956, the following resolution was presented:

That the Whatcom County Medical Society go on record as being opposed to H. R. 7225 and that comprehensive studies of the entire social security program be undertaken before further legislation is considered.

This resolution was passed unanimously.

Very truly yours,

FREDERICK GRAHAM, M. D.

RESOLUTION

Whereas H. R. 7225 passed the House of Representatives by a vote of 372 to 31 in 1955, without hearings or normal debating procedures, indicating the Members of the House of Representatives were more concerned with voter appeal than with legislative feasibility;

Whereas this bill provides for (1) compensation for all permanently and totally disabled men and women over the age of 49 who are covered by Social Security; (2) compensation for all women over the age of 61; (3) compensation for some dependents over the age of 18;

Whereas this bill will place the burden of eligibility for persons totally and permanently disabled upon the physician;

Whereas the present social security forms have printed on them the following statement: "The applicant is responsible for securing the information requested without expense to the Government" which in effect means that the Government is being liberal with the physicians' services on a charitable basis as the result of the disability amendment of 1954:

Whereas this is another step toward socialized medicine through the back door: Be it

Resolved, That we physicians of the Snohomish County Medical Society of the State of Washington are unalterably opposed to the passage of H. R. 7225.

[Telegram]

SEATTLE, WASH., *February 22, 1956.*

GEORGE H. DRUMHELLER, Sr., M. D.
Mayflower Hotel, Washington, D. C.:

The Puget Sound Academy of Ophthalmology and Otolaryngology representing 104 eye, ear, nose, and throat specialists meeting in regular session tonight voted unanimous opposition to bill H. R. 7225.

WILLARD F. GOFF, M. D., *Secretary.*

The CHAIRMAN. Any questions?

Senator MARTIN. No.

The CHAIRMAN. Thank you, Doctor, very much, sir.

The next witness is Dr. Gerald D. Dorman, Medical Society of the County of New York.

STATEMENT OF DR. GERALD D. DORMAN, PRESIDENT OF THE MEDICAL SOCIETY OF THE COUNTY OF NEW YORK

Dr. DORMAN. I would like to read portions of my statement, but submit the entire statement for the record.

The CHAIRMAN. That will be done, sir.

Dr. DORMAN. Mr. Chairman and members of the committee, my name is Dr. Gerald Dale Dorman. I am appearing in my capacity as president of the medical society of the county of New York, comprised of 7,000 physicians, and as one of the 12 councillors of the New York State Medical Society, with a membership of 23,000 doctors. I am also an industrial physician.

As an alternate consultant to the United States Railroad Retirement Board in the New York district and as a member of the advisory committee on compensation to the chairman of the Workmen's Compensation Board of New York State and also of the advisory committee on disability to the same chairman, I have become somewhat familiar with the practical problems of administering programs of disability benefits.

I am appearing in opposition to the disability provisions of H. R. 7225 as drawn at present, which would grant payments to totally disabled beneficiaries with qualifying quarters of coverage after 6 months disability, at age 50, provide they are submitted to rehabilitation. The provisions of this bill are loosely drawn in several important respects. As a result, the administrators of the proposed benefits would be faced with an extremely difficult problem of controlling malingering. Unless this problem can be solved, I am afraid that the proposed system would divert a considerable amount of money into the pockets of people not intended to benefit by this legislation. This would not only be wasteful of public funds, but it would also represent a serious waste of manpower because of the tendency to keep people out of the labor market who would otherwise be working.

The labor force contains millions of people whose health is so impaired or who are so handicapped in one way or another that continued employment requires an unusual exercise of willpower on their part. In many such cases the only practical proof of physical and mental ability to work lies in the fact that they actually succeed in finding employment when financial pressure gives them the incentive. Any prolonged weakening of the personal incentive would weaken this important practical test of ability of work. Amendment of the pro-

posed law so as to clarify the definitions and put in safeguards might make the malingering problem somewhat less serious. But I am sure it would always be a substantial problem.

I do not want these remarks to be interpreted as an attack on the character of the average citizen. When I speak of malingering in this connection I am not talking about chiseling in the ordinary sense. The people who could successfully withdraw from the labor force under the proposed system would be truly handicapped or truly in poor health. They would honestly consider themselves disabled. And in nearly every such case an examining physician could certify to their disability. The physician would, however, often be in doubt as to the practical degree of disability. Unfortunately, the degree of disability which makes a person's employment practically impossible must remain largely a subjective matter.

The proposed law, page 13, line 22, to page 14, line 14, section 225, is lax in determination of continuing disability. The presumption is that it persists unless—and I quote—

> the Secretary on the basis of information obtained by or submitted to him, believes that an individual * * * may have ceased to be under a disability.

Definite checkups on conditions should be required every 6 or 12 months to warrant continued payments to the disabled. Otherwise reports of recovery may be delayed, or change of status only be reported by outsiders out of spite or for other cause. The rehabilitation requirement in H. R. 7225 is also hard to define properly.

Again I quote, this time from a talk by Miss Angela Paresi, chairman of the Workmen's Compensation Board of the State of New York:

> The fundamental prerequisite to the success of rehabilitative procedures is that the patient be in such frame of mind that he both wishes to undergo the treatment and that he anticipates it will be a success. Thus, it becomes useless and without purpose to mandate, by statute or otherwise, that an unwilling claimant must nevertheless undergo rehabilitation.

Page 15, lines 4 to 16, of the proposed law refers to deductions in payments when an individual refuses "without good cause" to accept rehabilitation. This is a very loosely drawn statement and leaves too much to administrative discretion. Is refusal of operation for a disabling back condition, an adequate cause to reduce payments? Is refusal of treatment because of religious prejudice "good cause"? If a patient accepts rehabilitation but refuses to give up crippling habits of drugs, smoking, or eating habits, is this cause for withholding benefits?

If Congress gives enough support to a carefully planned program of rehabilitation, there would be much less need for cash benefits and many fewer people would be withdrawn from productive life. In any case it is important that the disabled person be referred first for rehabilitation before being considered as a possible candidate for income benefits. Rehabilitation procedures can be most effective if begun soon after the onset of disability. Not only is the physical result better, but the patient's mental outlook is improved and his tendency to malinger reduced.

As a positive step before any disability payments as in H. R. 7225 are decided upon, I would like to see an amendment of the 1954 "disability freeze" of benefits which would refer all applicants for the freeze to their State rehabilitation offices for rehabilitation evaluation.

Subsequent action would depend on the findings. While it is true that rehabilitation should be started early, even now some of these totally disabled may be salvageable under the new combined technics. Even if they cannot become gainfully employed, others may be trained to become self-sufficient and save their families the cost of institutional care or of special nursing or caretaking. This would be a valuable pilot study on the relationship of total disability to rehabilitation without committing OASI to prolonged cash benefits.

I would like to say parenthetically, that this follows a pattern set by the world's greatest healer, Jesus Christ, and followed up by Peter when he said to a child that had been crippled in the mother's womb, "Silver and gold have I none, but such as I have I give unto thee. In the name of Jesus of Nazareth, take up thy bed and walk."

Finally, may I offer a brief comment on reducing the retirement age for women to 62. The medical profession is dedicated to the care of the patient and through this care we have increased the life span and the health of man and woman. Now the average actual retirement age for men is 68 and for women 67.6. In industrial medicine the problem is being discussed whether retirement age should not be upped above the 65-year standard. One company recently increased its voluntary retirement age from 65 to 68. This may start a trend. The proposed H. R. 7225, page 5, line 22, would reverse this trend and lower the retirement age of women, thereby increasing the financial burden on those who are working. As testified by Chief Actuary Myers of the OASI, the proposed change in retirement age would increase the cost of social security by a greater percentage than any of the other proposed changes. Is this a wise move and is it in the right direction?

In closing I would urge a careful, overall study of social-security aims and objectives and how to attain those ends, without precipitate legislation which can defeat its purposes by entering wrong areas and providing insufficient safeguards.

I thank you.

(The statement of Dr. Gerald Dale Dorman in its entirety is as follows:)

STATEMENT OF THE MEDICAL SOCIETY OF THE COUNTY OF NEW YORK RE SOCIAL SECURITY ACT AMENDMENTS OF 1955

By Gerald Dale Dorman, M. D.

Mr. Chairman and members of the committee, my name is Dr. Gerald Dale Dorman. I am appearing in my capacity as president of the Medical Society of the County of New York, comprised of 7,000 physicians, and as 1 of the 12 councilors of the New York State Medical Society, with a membership of 23,000 doctors. I am an industrial physician.

As an alternate consultant to the United States Railroad Retirement Board in the New York district and as a member of the advisory committee on compensation to the chairman of the Workmen's Compensation Board of New York State and also of the advisory committee on disability to the same chairman, I have become somewhat familiar with the practical problems of administering programs of disability benefits.

I am appearing in opposition to the disability provisions of H. R. 7225 as drawn at present which would grant payments to totally disabled beneficiaries with qualifying quarters of coverage after 6 months' disability at age 50, provided they are submitted to rehabilitation. The provisions of this bill are loosely drawn in several important respects. As a result, the administrators of the proposed benefits would be faced with an extremely difficult problem of controlling malingering. Unless this problem can be solved, I am afraid that the proposed

system would divert a considerable amount of money into the pockets of people not intended to benefit by this legislation. This would not only be wasteful of public funds, but it would also represent a serious waste of manpower because of the tendency to keep people out of the labor market who would otherwise be working.

It is important to remember that under existing schemes for temporary disabiilty benefits the incentive to malinger is not very great and the administrative problems are manageable. Under the New York State temporary disability law, payments are made for a definite maximum period, 26 weeks in each of 2 years; and under United States railroad retirement laws payments are limited to a certain period in each covered year. This has a very definite advantage in limiting fraudulent claims and in bringing up each case for reevaluation in every 6 months. The same can be said of sickness-benefit programs administered by insurance companies.

The situation is very different under a scheme in which a long-term income is at stake. The labor force contains millions of people whose health is so impaired or who are so handicapped in one way or another that continued employment requires an unusual exercise of willpower on their part. In many such cases the only practical proof of physical and mental ability to work lies in the fact that they actually succeed in finding employment when financial pressure gives them the incentive. Any prolonged weakening of the personal incentive would weaken this important practical test of ability to work. Amendment of the proposed law so as to clarify the definitions and put in safeguards might make the malingering problem somewhat less serious. But I am sure it would always be a substantial problem.

I do not want these remarks to be interpreted as an attack on the character of the average citizen. When I speak of malingering in this connection, I am not talking about chiseling in the ordinary sense. The people who could successfully withdraw from the labor force under the proposed system would be truly handicapped or truly in poor health. They would honestly consider themselves disabled. And in nearly every such case an examining physician could certify to their disability. The physician would, however, often be in doubt as to the practical degree of disability. Unfortunately, the degree of disability which makes a person's employment practically impossible must remain largely a subjective matter.

Let me suggest a few illustrations. A chronic alcoholic may be totally disabled and no amount of rehabilitation will reinstate him unless he gives a deep personal cooperation. One severe arthritic may appear to be totally disabled, and the next one, even more crippled, may stay at work through sheer willpower. A mentally disturbed person may be jittery with neurosis, or utterly discouraged with inadequate personality, or immobilized with severe psychosis, and it is almost impossible to legislate at what stage he is disabled. A specific case of an epileptic occurs to me, one whose own physician failed to determine whether his attacks were or were not disabling after 3 years of study. The will to work must be the basis of proper return to useful employment, and yet the mere diagnosis of "total disability" may affect this adversely.

Then there are the pressures to which the attending physician may be put to certify to disability. A borderline case and his dependent family may look to the physician to ease their lot by certifying disability, or friends may try to sway the physician not to fraud but to tempering his judgment—"Give him a break, Doc."

The proposed law, page 13, line 22, to page 14, line 14, section 225, is lax in determination of continuing disability. The presumption is that it persists unless—and I quote—"the Secretary on the basis of information obtained by or submitted to him, believes that an individual * * * may have ceased to be under a disability." Definite checkups on conditions should be required every 6 or 12 months to warrant continued payments to the disabled. Otherwise reports of recovery may be delayed, or change of status only be reported by outsiders out of spite or for other cause.

The rehabilitation requirement in H. R. 7225 is also hard to define properly. I quote Dr. Howard A. Rusk: "Rehabilitation for the severely disabled has become generally accepted by the medical profession, industry, labor, and the public. One of the important principles in rehabilitation is that it should be started early and should be a continuous process designed to meet the total needs of the individual—physical, emotional, and vocational.

"'As in all medical programs, the physician is the first line of defense in rehabilitation. Many of the simpler technics can be done efficiently and ade-

quately in the physician's own office. However, as in other branches of medicine, if consultative services are used early and wisely, many injuries or disabilities can be minimized so that long-term and often permanent disability is avoided. This applies especially to back injuries, injuries of the hand, and fractures requiring long mobilization. A rehabilitation program is a service program to the physician. He does not and should not lose control of the case."

In what amounts and for how long shall treatment be undertaken and to what degree must a beneficiary go along with it? Unless he gives it his full cooperation and will power, many a patient will not improve. Often an indefinite term income has been found an actual detriment to recovery from injuries and it is not at all rare to find complete recovery occurring after settlement of an injury claim in court or in compensation. Here, gentlemen, we deal with human nature.

Again I quote, this time from a talk by Miss Angela Paresi, chairman of the Workmen's Compensation Board of the State of New York: "The fundamental prerequisite to the success of rehabilitative procedures is that the patient be in such frame of mind that he both wishes to undergo the treatment and that he anticipates it will be a success. Thus, it becomes useless and without purpose to mandate, by statute or otherwise, that an unwilling claimant must nevertheless undergo rehabilitation."

Most rehabilitation procedures will show maximum recovery in 6 to 12 months unless extensive surgery is involved, so that a limited period of retraining for further useful employment will usually give greatest results. Indefinite periods of long-drawn-out rehabilitation may degenerate into boondoggling, and limitations should be set up to avoid this, without shortening proper care.

Safeguards must be fashioned to prevent a mushrooming of rehabilitation centers under inadequately trained personnel who will mulct the unfortunate disabled worker of his income. Restorative treatments and training should be for a limited period, and discontinued when no further progress can be made.

Page 15, lines 4 to 16, of the proposed law refers to deductions in payments when an individual refuses "without good cause" to accept rehabilitation. This is a very loosely drawn statement and leaves too much to administrative discretion. Is refusal of operation for a disabling back condition, an adequate cause to reduce payments? Is refusal of treatment because of religious prejudice "good cause"? If a patient accepts rehabilitation but refuses to give up crippling habits of drugs, smoking, or eating habits, is this cause for withholding benefits?

If Congress gives enough support to a carefully planned program of rehabilitation, there would be much less need for cash benefits and many fewer people would be withdrawn from productive life. In any case it is important that the disabled person be referred first for rehabilitation before being considered as a possible candidate for income benefits. Rehabilitation procedures can be most effective if begun soon after the onset of disability. Not only is the physical result better, but the patient's mental outlook is improved and his tendency to malinger reduced.

As a positive step before any disability payments as in H. R. 7225 are decided upon, I would like to see an amendment of the 1954 "disability freeze" of benefits which would refer all applicants for the freeze to their State rehabilitation offices for rehabilitation evaluation. Subsequent action would depend on the findings. While it is true that rehabilitation should be started early, even now some of these totally disabled may be salvageable under the new combined techniques. Even if they cannot become gainfully employed, others may be trained to become self-sufficient and save their families the cost of institutional care or of special nursing or caretaking. This would be a valuable pilot study on the relationship of total disability to rehabilitation without committing OASI to prolonged cash benefits.

Finally, may I offer a brief comment on reducing the retirement age for women to 62. The medical profession is dedicated to the care of the patient and through this care we have increased the life span and the health of man and woman. Now the average actual retirement age for men is 68 and for women 67.6 years. In industrial medicine the problem is being discussed whether retirement age should not be upped above the 65-year standard. One company recently increased its voluntary retirement age from 65 to 68. This may start a trend. The proposed H. R. 7225, page 5, line 22, would reverse this trend and lower the retirement age of women, thereby increasing the financial burden on those who are working. As testified by Chief Actuary Myers of the OASI, the proposed change in retirement age would increase the cost of social security by a greater percent-

age than any of the other proposed changes. Is this a wise move and is it in the right direction?

In closing I would urge a careful, overall study of social-security aims and objectives and how to attain those ends, without precipitate legislation which can defeat its purposes by entering wrong areas and providing insufficient safeguards.

The CHAIRMAN. Thank you very much, Doctor.

Senator Martin?

Senator MARTIN. No questions. Thank you very much.

The CHAIRMAN. Dr. Alan Emanuel of Physicians Forum is next.

Will you take a seat, sir?

Do you have a statement?

STATEMENT OF DR. ALAN EMANUEL, PHYSICIANS FORUM

Dr. EMANUEL. Mr. Chairman and members of the committee, the Physicians Forum is very grateful for this opportunity of presenting the opinions of those physicians who favor this bill. It may have seemed that there are none, but there are, and we would like to prove it.

Dr. Holtzman, my colleague, is also a member of the Physicians Forum and will present the arguments in favor of social-security coverage for physicians at the end of my statement.

My name is Alan Emanuel. I am a practicing physician of the city of New York. I speak for the Physicians Forum, a national organization of physicians in existence more than 17 years, all of whose members are also members of their local medical societies or of the National Medical Association.

Ever since its founding in 1939, the forum has concerned itself with the extension and improvement of medical care and has encouraged new methods and techniques to achieve this end.

We are here today to speak in favor of: (1) The addition of disability insurance benefits to the Federal social-security program and (2) the inclusion of physicians under the Federal Social Security Act.

DISABILITY INSURANCE

Twenty years of OASI have clearly established Federal social insurance as administratively sound, financially acceptable to the people, and a major contribution to their health and welfare. The Physicians' Forum believes that Federal social insurance should now be extended to another major hazard of the gainfully employed, namely income loss from prolonged and incapacitating disability.

Hardly anyone would challenge the need for such protection—least of all, a physician. Part of his daily experience is the tragic cycle of major disability leading to financial hardship and this in turn sapping the physcal and psychological capacity for recovery. Still more unfortunate to see is the impact on the family as the prolonged income loss of the wage earner jeopardizes the family's nutrition, medical care, and psychological health.

The need for disability insurance is of major dimensions and is nationwide. It is not being met by present insurance programs. It can only be met by Federal social insurance.

As physicians, we would first like to comment on the major issues in disability insurance which relate to medical practice and to public health.

A disability insurance program could contribute significantly to public health knowledge and activities. It would make available for the first time a wealth of data for epidemiological studies of chronic diseases. These are basic to their understanding, control, and eventual prevention. A disability insurance program would also supplement existing case finding and control programs for communicable diseases, particularly tuberculosis.

The procedure for becoming eligible for disability benefits will bring many individuals under medical scrutiny for the first time. For some, this will mean simply a chance to learn more about their relatively minor disabilities and how to live more healthfully. For some, it will mean assistance in obtaining needed medical care—an explanation of what kind of care is needed, where it is available, and how to obtain it. For some it will mean complete medical and vocational rehibilitation. And for those certified for benefits, it will mean additional income to purchase needed medical services, proper food, and other elements of a decent standard of living. Workers will be better able to take proper periods of convalescence rather than being forced to get back on their feet prematurely in order to restore their income.

Of these items we would like to emphasize the tremendous potential in the clause requiring that all applicants for disability benefits be referred to the State vocational rehabilitation agency. This should help overcome one of the serious current problems in this field—the inadequacy of referrals.

Of course, there will be some who will be adversely affected by disability benefits—whose motivations and efforts to recover or earn a living wil be undermined. However, to contend that this applies to any large number of people is a cynical view of the motivations of working people—a view to which we do not subscribe. Most people want to work and to contribute their efforts to the productive capacity of the Nation.

A principal objection raised by the American Medical Association and other critics, is the difficulty in determining disability as specified under the proposed program. This is a real difficulty, but it is perhaps deliberately confused by those who lump together the two separate stages of the determination:

1. The medical examination for determining the nature and extent of the impairment;

2. The vocational evaluation of the impairment with respect to substantial gainful activity.

It is only the first stage with which physicians in the community would be concerned. The second stage as we understand it, would be carried out by the State agency responsible for certifying disability.

Quite properly the basic definition avoids the words "total" and "permanent." In this way neither the physician in the community nor the administrative agency is called upon for impossible determinations. The magnitude of the disability becomes a commonsense determination of a loss of earning capacity of more than two-thirds or three-fourths. The continuance of the disability is readily checked by periodic examinations at intervals appropriate for the particular disability.

We are confident that doctor-patient relations are sufficiently sound in this country that they can withstand the special strains, if any, of

disability evaluations. To claim otherwise, would seem to suggest a surprising lack of confidence in the medical profession. This attitude would also seem to underlie the contention that physicians would be pressured or deceived into certifying large numbers of undeserving claimants. We strongly resent such aspersions on the ethics and practice of physicians. We are confident this will not happen.

It has been asserted that disability insurance would result in the most undesirable type of Government interference in medical practice. This is so far removed from the realities of current governmental health activities as to seem undeserving of serious comment. Undoubtedly, of all governmental activities today, those in the medical field are characterized by unusually high standards, nonpolitical administration, and unparalleled public esteem.

In supporting disability insurance, the Physicians Forum is not unmindful of the serious and special difficulties inherent in such a program. These have been objectively and thoroughly evaluated by the advisory council on social security to this committee in 1948 and by a number of other individuals and groups. As we cannot discuss these difficulties fully in this brief statement we would like to make one general comment.

We believe that a Nation with our resources and ingenuity can overcome any difficulties when a social program of such significance has to be initiated. Many of the same difficulties have been managed, and, as far as we have been able to determine, managed fairly successfully by other similar programs. In this connection we must keep in mind that it has been customary for opponents of new social programs to exaggerate the administrative difficulties. We cannot accept those objections as valid deterrents to progress.

For these reasons the Physicians Forum fully endorses the proposals to establish a Federal disability insurance program as contained in H. R. 7225 and respectfully urges this committee and the Senate to approve the appropriate amendments to the Social Security Act.

Again I thank you for this opportunity to deliver an affirmative opinion on this subject.

The CHAIRMAN. Thank you, Doctor.

Any questions, Senator Martin?

Senator MARTIN. No.

STATEMENT OF DR. IRVING HOLTZMAN, ASSOCIATE CLINICAL PROFESSOR OF DERMATOLOGY, NEW YORK UNIVERSITY, BELLEVUE MEDICAL CENTER, AND FELLOWSHIP OF AMERICAN COLLEGE OF PHYSICIANS

Dr. HOLTZMAN. My name is Irving Holtzman. I am a practicing physician in the community of Brooklyn, an associate clinical professor of dermatology, New York University, Bellevue Medical Center, and Fellowship of American College of Physicians.

I would like to make some comments on social-security coverage for physicians.

The Physicians Forum has been on record for more than 4 years for the extension of Federal old-age and survivor's insurance benefits to members of our profession. Our membership which covers 28 States has endorsed this position, as has our board of directors and the annual membership meeting—our highest governing body.

We state our firm belief that, if a national poll were taken today and doctors were informed of the provisions of OASI, a majority would favor inclusion. In support of this statement we cite the fact that the membership of the Medical Society of the County of New York the largest single component of the American Medical Association (AMA) has twice voted for Federal social security. Similar action has been taken by the medical societies of Kings, Queens, and Sullivan Counties of New York State. In New Jersey, in polls of Bergen and Essex County medical societies a significant majority has expressed the desire to share in the benefits of coverage under the social-security program. In Michigan the Washtenaw County Medical Society voted for compulsory coverage. Medical Economics, a commercial publication, independently conducted a poll of thousands of physicians in 1953 in which 54 percent of those replying favored inclusion for physicians.

Because doctors no longer are impressed by fear slogans of "socialization" or "regimentation," the catchwords previously employed in opposition to social security, the American Medical Association has been forced to adopt an actuarial approach, on the basis of which it concludes:

(a) That doctors do not want social security because the retirement benefits are too low and inadequate;

(b) That survivor's benefits under social security are not comparable to those obtained by commercial life-insurance policies.

The retirement benefits of social security, while inadequate alone to support a physician and his wife at their customary standard of living, do provide a small but welcome addition to their savings, dividends, investments, and annuities. Most doctors do not retire from full active practice after 65, but it is possible many sick or partly disabled physicians who now continue practice would be able to retire if they were covered by OASI.

I might interject that the mortality of doctors below the age of 65 is quite considerable.

The survivors' benefits that would be available to widows and children of self-employed physicians covered by social security would be considerable. It is estimated that in order to match these benefits under commercial policies a doctor would have to pay many times as much in premiums. We have attached an appendix which substantiates the statement.

During the 1954 hearings on social security before the House Ways and Means Committee, the board of trustees of the AMA "did determine that no objection would be raised to the extension of the old-age and survivors insurance provisions—so as to permit voluntary coverage of physicians." But favoring voluntary coverage of physicians is equivalent to favoring the exclusion of physicians from social security since Congress has repeatedly stated that it will not approve of voluntary coverage of physicians under social security because of actuarial reasons.

We believe the medical profession is as deserving and needful of the protection of social security as is any other occupation or professional group and, we repeat, that when the average doctor is given the opportunity to express his views, he 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. 7225) are adopted, to most self-employed persons. Inclusion of physicians in the act, as originally proposed by President Eisenhower, would in noway compromise the individual physician's personal or professional freedom or initiative.

We believe that the time has now come for action and we therefore respectfully urge the Senate Finance Committee to rectify this inequity by including the coverage of physicians in the amendments extending social security to professional, self-employed categories.

APPENDIX B

County medical societies that have discussed and endorsed compulsory social security coverage for self-employed physicians include:

1. New York County Medical Society, New York, March 1952 and February 1953.
2. Kings County Medical Society, New York, April 1952 and November 1953.
3. Queens County Medical Society, New York, June 1953.
4. Sullivan County Medical Society, New York, December 1952.
5. Essex County Medical Society, New Jersey, October 1953.
6. Bergen County Medical Society, New Jersey, March 1954.
7. Washtenaw County Medical Society, Michigan, January 1955.

APPENDIX C.—COMPARATIVE COST OF PRIVATE AND FEDERAL INSURANCE

Admittedly the benefits available under social security are not readily compared with those obtainable under private life-insurance plans. However, the figures presented below are sufficiently accurate to serve as a yardstick to measure the financial cost to doctors because of their exclusion from coverage under the Social Security Act.

If a doctor enters the social-security program in 1956 at age of—	He would pay social-security taxes totaling (by age 65)—	For the same benefits for himself and his family he would have to pay private insurance companies at least—	The doctor's loss because of exclusion from social security—
30	$7,371.00	$14,700	$7,329.00
35	$6,111.00	$16,300	$10,189.00
40	$4,851.00	$18,000	$13,149.00
45	$3,591.00	$19,900	$16,309.00
50	$2,457 00	$22,000	$19,543.00
55	$1,480.50	$24,400	$22,919.50
60	$661.50	$26,000	$25,338.50

I would like at this time to extend my thanks and the thanks of the physicians forum for this opportunity to present our testimony before this committee.

The CHAIRMAN. Thank you, Doctor.

Any questions?

Senator MARTIN. No. Thank you very much.

The CHAIRMAN. Next witness is Dr. Wright Adams. University of Chicago.

STATEMENT OF DR. WRIGHT ADAMS, PROFESSOR AT THE UNIVERSITY OF CHICAGO

Dr. ADAMS. I appreciate very much this opportunity to appear before you. My name is Dr. Wright Adams. I am professor and chairman of the department of medicine at the University of Chicago, a member of the American Heart Association, and a member of the American Board of Internal Medicine.

I should like to emphasize one point which it seems to me has not been adequately covered in discussions of H. R. 7225. It concerns the disability provisions and I shall discuss it from the point of view of heart disease, which is my field of special interest.

The extent of disability is hard to estimate and disability from heart disease presents some special problems. The fact that heart disease is prevalent, particularly in those past the age of 50, needs no emphasis. A very large number of the persons with whom this disability benefit proposal deals will be heart patients. The extent of the technical problems of assessment of disability in this group is therefore of some importance.

The presence of diseases of the heart and blood vessels can usually be detected by objective means without relying on descriptions of symptoms by the patient. Many persons with heart disease, however, are not disabled. Disability depends chiefly upon the extent of the involvement of the heart and blood vessels from hardening of the arteries or high blood pressure. The estimation of the extent of the disease and therefore the degree of disability is subject to great error if objective methods alone are used. Physicians are accustomed to assuming that their patients' statements with respect to symptoms are reasonably accurate and that their patients want to be as well as possible. Therefore symptoms, that is subjective feelings described by the patient, are of great importance in deciding upon the degree of restriction of activity which is necessary to prolong life and provide comfort.

Such sensations as pain, fatigue, weakness, breathlessness, headache and dizziness (all subjective symptoms) are of the utmost importance in deciding the severity of disease. The extent of disability depends upon the severity, rather than the presence of disease. And the severity of the condition, in turn, is largely controlled by the attitude of the patient. If every person in whom heart disease could be demonstrated received disability payments the expense of the program would be fabulous. There would also be other undesirable results.

When estimates of disability must depend so largely upon subjective symptoms, cheating becomes easy and more frequent. The problem of honesty is not the only one, however. Almost every patient becomes anxious, fearful, and depressed when he finds that he has heart disease. Often heart disease is discovered at the time of an acute illness. Recovery and rehabilitation is usually a rather long and almost always a difficult process. Strong motivation is most important during this period.

Fear, anxiety, and depression increase the severity of sensations characteristic of heart disease. Pain, fatigue, weakness, and so forth, seem worse. The unhappy patient honestly believes he is in a worse state than is actually the case. Encouragement and guidance by the physician can help him but motivation is most important. An official certification by his Government that he is totally and permanently disabled—a hopeless case—destroys that motivation and greatly decreases the prospect of successful rehabilitation.

Usually there is some real danger in overdoing. Symptoms are an important guide for the physician in advising with respect to the level of activity. Therefore, from a professional point of view, it becomes practically impossible to rehabilitate a patient with heart disease who has lost the desire to be returned to activity. People who are un-

necessarily restricted in activity tend to be irritable and unhappy and become hard to live with. They often find it difficult to live with themselves.

Every practitioner has had experience with many patients in whom efforts at rehabilitation fail for lack of motivation. Economic motives are most important.

If necessary financial support is furnished according to need in individual circumstances, guidance through this difficult phase of recovery and rehabilitation is made easier and progress more certain. This is the concept embodied in the present Vocational Rehabilitation Act. Persons undergoing rehabilitation in this Federal-State program are provided maintenance payments equal to subsistence costs. If security is furnished as a right, under what appears to the patient to be an insurance program, many additional invalids will be made.

This aspect of the problem makes actuarial studies of doubtful validity. The protection increases the number requiring protection.

This point, in addition to many other excellent arguments, indicates that disability insurance coverage by Government should be approached with the greatest caution.

Thank you again for allowing me to appear.

The CHAIRMAN. Thank you, Doctor Adams.

Any questions?

Senator MARTIN. No; thank you very much.

The CHAIRMAN. Next witness is Dr. F. J. L. Blasingame of the American Medical Association.

STATEMENT OF DR. F. J. L. BLASINGAME, VICE CHAIRMAN OF THE BOARD OF TRUSTEES OF THE AMERICAN MEDICAL ASSOCIATION

Dr. BLASINGAME. Mr. Chairman, Senator Martin. We have a rather lengthy statement here. I know the hour is late and I know you are fatigued and we would like your pleasure on how to proceed with this bill. The American Medical Association is deeply concerned about this.

The CHAIRMAN. Well, at your pleasure you can handle that any way you prefer. You can submit it for the record or give a synopsis of it. You can handle it any way you prefer. It might help if you gave us the more salient points of it and submitted it for the record.

Dr. BLASINGAME. I am Dr. F. J. L. Blasingame of Wharton, Tex., where I am a practicing surgeon. I am also vice chairman of the board of trustees of the American Medical Association. Dr. Allman, appearing here with me, is a member of the board of trustees of the American Medical Association and is a practicing surgeon of Atlantic City, N. J., and also a chairman of our legislative committee.

The American Medical Association is deeply concerned about the significance of this bill and particularly we are concerned about its implications from the standpoint of disability benefits.

First, we feel that there is real question of the need for it, because there are so many other programs that overlap to some degree at various levels, national, State, and local. They overlap also in industry, at various levels and in Government.

They also feel that the cost item of that particular portion of the bill is not known. We believe it is large, or would be large. The definitions of terms are vague. What do we mean by "disability" and "total

disability"? There was some questioning this morning along the lines of the medical profession's ability to act under the language of the present law. It is our considered opinion that the definition of medical determination is vague and inadequate. We have no exact language to put in the bill and doubt that such language can actually be devised that will not have some degree of loophole.

We feel that the moral aspect of this bill from the standpoint of its effect upon our society can be damaging. We have pointed out in our statement the difficulties we would have in motivating people to make the most of their lives and we have emphasized what we think to be a more important positive program; that is, to extend the effectiveness of rehabilitation which is already under way.

We don't feel that rehabilitation has been utilized to the degree that it might, or that it will be in the future and that this bill, instead of helping the rehabilitation program, will tend to hinder the proper development of it.

We feel also that as far as the real functions of the social-security system need to be studied.

We recommend that a study group, governmental or of the citizens of this country, or both, study this program in some of its basic aspects.

It was pointed out in questioning this morning that we have had 21 years of experience and inferred that we should not necessarily have to study something we have had 21 years of experience in doing. To the contrary, we think that an item with which you have been dealing for only 21 years and is supposed to go along forever is an item for constant study, as has been proposed by the administration.

We don't feel that accurate figures are available as to the number of disabled persons. We think much thought needs to be given to the financial aspects—to the effects upon the rehabilitation program, upon the individual citizen in motivating him to make the most of his talents and his remaining abilities if he is disabled.

The medical profession is very concerned that they may be placed in the role of a policeman, as it were. And it will be a very difficult role for the medical profession even though they try all they can. I think that the Senators this morning by their questioning inferred that we might be able to act as an umpire, as it were, as to whether or not this man is disabled or not permanently. Contrary to their opinion, the vast majority of the medical profession will disagree with that point of view and feel that the determination of disability is very hazardous and very difficult.

I trust that the committee will give very serious consideration to deleting the disability feature from this bill and that you give every consideration to establishing some mechanism of study of this problem, that we may arrive at some factual data on which to base decisions in the future.

Dr. Allman may have additional remarks which he may care to make.

(The statement of Dr. F. J. L. Blasingame is submitted in its entirety as follows:)

STATEMENT OF THE AMERICAN MEDICAL ASSOCIATION RE H. R. 7225, 84TH CONGRESS

By F. J. L. Blasingame, M. D.

Mr. Chairman and members of the committee, I am Dr. F. J. L. Blasingame of Wharton, Tex., where I am a practicing surgeon. I am also vice chairman of the board of trustees of the American Medical Association. I am here today on

behalf of that association to oppose enactment of the disability benefit provisions of H. R. 7225. In urging you to remove these provisions from the bill I am voicing the recommendation of virtually every physician in the United States.

We are keenly aware of the ostensibly humanitarian objectives of the proposals. Nevertheless, our experiences in the treatment of disabled individuals leave us with the firm conviction that the enactment of the disability-benefit provisions of the pending bill would be a great disservice to the very persons it purports to aid. Furthermore, we are convinced that adding a disability program to the existing old-age and survivors benefits would endanger the manageability and solvency of that phase of the social security program.

At its meeting in Boston, on December 1, 1955, our house of delegates adopted a resolution calling for a comprehensive study before the enactment of further changes in the Social Security Act. We believe that such a study should include a complete, unbiased, and impartial survey of the financial, social, medical, and economic aspects of the Social Security Act. In our opinion, this is an indispensable prerequisite to further alteration of our social security system.

As citizens, we are disturbed at the method by which such a far-reaching piece of legislation was conceived and approved without hearings and rushed through the House of Representatives. Such a situation as this places an unusually grave responsibility upon this committee. The implications of the bill were, for the most part, totally unknown to the Representatives who found themselves unable to vote against an omnibus social security bill which promised greatly increased benefits to many of their constituents at little or no apparent cost.

Quite apart from our concern as citizens is our conviction that, from a medical point of view, this legislation is both unnecessary and unwise.

We are unable to determine how the disability benefit provisions of H. R. 7225 would provide any necessary additional assistance to disabled persons between the ages of 50 and 65. Proponents of the measure, in claiming that such a new program will meet some undefined need, have ignored the many other programs which are already serving these same disabled individuals.

These existing programs already provide benefits, without regard to financial need, for those injured in industrial accidents or in the Armed Forces. Employment-related illness or disability is cared for under the various workmen's compensation statutes, while the Veterans' Administration provides compensation based on disabilities incurred in military service.

For those persons whose needs are not met through the foregoing programs, there are a variety of State and local public assistance programs—several of them federally aided—to meet the actual and demonstrated needs of disabled individuals.

The Social Security Act itself authorizes a Federal-State program of aid to the permanently and totally disabled, a program of aid to the blind, and a program of aid to dependent children.

State and local public assistance or general relief programs afford another means of meeting the needs of disabled individuals.

The Vocational Rehabilitation Act—another joint Federal-State program—provides not only medical care and vocational training, but maintenance allowances based on need. This program is now undergoing orderly expansion and offers a proper solution to the many problems of the disabled. It is important to note that all of the programs now available to the disabled provide for benefits related to their actual need. To our knowledge there is not a community in the United States in which a disabled person requiring assistance cannot receive aid under one or more of these programs.

It appears, therefore, that any possible justification for a "social insurance" program for the disabled, as proposed in this bill, must rest on the merits of social insurance as compared with public assistance. Consequently, I believe it is proper to discuss briefly these two approaches to meeting needs, either actual or presumptive.

Both social insurance and public assistance are designed to assist individuals faced with loss of income and increased expenses because of illness, injury, disability, maternity, unemployment, old age, and death. Social insurance is the common European system, while public assistance is the traditional American approach. Social insurance benefits are paid without regard to need, when a specified contingency occurs. Public assistance is based upon an actual need, and the amount of assistance is measured by the amount of the need.

Social insurance bears only the most superficial relationships to true insurance. While its benefits are payable as a matter of statutory right, there is no contract

of insurance. Hence, benefits can be raised, lowered, or eliminated entirely by succeeding legislatures, and the conditions upon which those benefits will be paid can be altered from year to year.

We believe that it is important to recognize the similarities and differences in public assistance, social insurance, and true insurance. For too long, the American people have misunderstood the true nature of the three. To determine which of the three offers the greatest prospect for good and the least potential for harm in any given area of social need, it is first necessary to honestly evaluate all three.

Our experiment in national social insurance is limited to the old-age and survivors benefits paid under the Social Security Act. Even in this area—by far the easiest in which to predict ultimate costs—it is not clear where we are going or what it will come. The 10-year history of OASI is one of changed benefits, uncertainty as to the classes of individuals covered, and biennial changes in both the rate of tax and the amount of income taxed.

Programs of public assistance which are theoretically based on a finding of disability are actually predicated on a determination of need. After the need of the applicant is determined and measured, the administrators of these programs are at liberty to provide aid through the one of several methods best suited to the actual need without need for precise determinations of disability in difficult cases. If the disability cannot be satisfactorily shown, there is still the need, which will be met through such other programs of public assistance as aid to dependent children, or general relief.

The ease with which transfers of public-assistance recipients between categories of relief can be accomplished is illustrated by the experience in October 1950, the first month of operation of the aid to the permanently and totally disabled under title XIV of the Social Security Act. This month witnessed a wholesale transfer of cases from the general relief rolls to the federally supported program. The State of Alabama, for example, which had 9,073 relief clients in September had only 78 in October, while 8,816 appeared on the aid to permanently and totally disabled program. A similar situation prevailed in Louisiana, which had 28,396 clients on the general assistance rolls in September, but only 8,240 in October. In that State 18,811 appeared on the aid to permanently and totally disabled program in the first month of its operation.

It is quite obvious from these figures that something more than medical diagnosis and definition of disability accounted for the transfer from one program to the other. There is reason to suspect that such a wholesale transfer resulted from a desire to transfer costs from local relief agencies to the Federal and State Governments. We see no reason to suppose that a similar transfer of responsibility from local and State agencies to the OASI trust fund cannot be expected if the pending proposals become law.

I believe that we also should recognize at the outset the three categories of individuals who will seek benefits under the proposed legislation.

First, there will be those individuals who actually possess a physical or mental impairment of sufficient severity to affect their employability at a given time and place. Some of these will be beyond the prospect of vocational rehabilitation, but the great majority will be good material for retraining in the fuller utilization of their remaining capabilities.

At the other extreme will be those who feign impairment and disability. This group will present a problem under the proposed legislation.

It is the group in between these two extremes which will create the greatest difficulty in the administration of the proposed program. These are the individuals who do have medically determinable physical or mental impairments. They include the individuals whose pathological conditions should not normally be expected to remove them from employment. They also include the individuals who, faced with the prospect of receiving a benefit based upon their disability, will develop a neurotic condition which is just as disabling as though a pathological condition were demonstrable. To laymen these persons might be considered malingerers. To physicians, they are ill.

The payment of a benefit to such individuals, contingent upon their remaining disabled, serves as a psychological justification for their disability, and will present one of the greatest obstacles possible to their rehabilitation and recovery.

Let me give you an example. We all know that there are many unfortunate persons who have difficulty in coping with the many problems of life. These people have inadequate, dependent personalities. They frequently fail—in school, in marirage, and in employment. To such an unhappy individual the discovery of a real or imaginary impairment presents a justification for his inadequacy.

After all, he reasons, his failures are not really his fault; they are due to his disability. Recognition of this disability, recognition which extends to compensating him as a matter of statutory right, justifies, in his own mind, his failure to attempt to solve his problems. From a medical point of view, the most inhuman thing which we can do, the thing best calculated to prevent successful treatment of the neurosis, is to recognize and compensate the shortcoming.

I might point out that these individuals are usually the marginal workers. They are the ones who will first feel the effects of unemployment. They are the ones excluded by insurance companies as bad disability risks. They are the ones most likely to turn to the proposed benefits as a haven of refuge from the vicissitudes of life. It is this group which will present the greatest difficulty in the determination of disabilities and in the administration of the proposed program. It is this group which makes the ultimate cost of the proposed program so conjectural as to defy prediction.

To all persons disability is a highly personal thing. We need to know more about the intangible assets possessed by individuals who overcome their disabilities. We need to identify those assets—call them character, or willpower, or motivation—and develop programs for aiding the disabled which will utilize to the maximum extent the desire of every person to be a self-supporting, independent, respected individual.

Rehabilitation is the positive approach to disability. Rehabilitation stresses the abilities which remain rather than those which do not exist or which have been lost. Rehabilitation seeks to marshal and utilize those remaining abilities so that the individual may again become a useful and self-sufficient member of society. In this way rehabilitation provides productive citizens and taxpayers out of potential Government beneficiaries.

Anything less than rehabilitation of the disabled falls short of both the humanitarian and economic goals. As physicians, we seek not only to treat and comfort our patients but to assist them in their return to as full and satisfying a life as possible.

One of the primary essentials to rehabilitation is a will on the part of the individual to utilize to their maximum his remaining abilities. This motivation requires character, determination, and willpower. It cannot be forced. We are very much concerned that the proposed disability benefits will damage and hinder our developing rehabilitation program for two reasons.

First, we recognize that many marginal individuals will prefer the security of permanent monthly pensions and will not have the necessary desire to undergo a difficult program of rehabilitation. While the payment of maintenance benefits during rehabilitation may be essential, the payment of a benefit which depends for its continuance on a failure of the rehabilitation process is a self-defeating proposition.

The authors of H. R. 7225 recognized and attempted to circumvent this elementary fact by providing for a reduction in benefits should an individual fail without good cause to undergo rehabilitation. We are convinced that such forced participation in a rehabilitation program will not be a satisfactory substitute for the motivation otherwise lacking.

Second, we are concerned that our rehabilitation agencies will be smothered in an avalanche of benefit seekers who reluctantly comply with the requirement of rehabilitation. These individuals will in many cases take the place in the program of worthy individuals who are sincerely motivated and who are, consequently, far better prospects for rehabilitation. This large anticipated influx can be expected to damage, if not destroy, the sound base upon which we are gradually building a truly effective rehabilitation service.

We feel that these disability benefit proposals will have three immediate and very harmful effects: They will endanger our rehabilitation program; they will actually increase neurotic disabilities; and they will burden our present old-age benefit program to the extent that this system may be ultimately destroyed by their cost.

Many studies have already been made of the social-security system. Unfortunately, these studies have been deficient in answers. The cost estimates, for instance, for the proposed program are hardly more than guesses. Disability incidence rates have been taken, we presume, from the best available sources. Yet the incidence rates for men are obsolete, since they were taken from insurance experience in the 1920's. Incidence rates for women are little more than guesses. Termination rates are taken from the experience of a European country 30 years ago. Needless to say, the passage of time, the difference between German medicine in the 1920's and American medicine in

the 1950's has not been considered. If these are the best figures on which cost estimates can be projected, we find great merit in the lack of confidence expressed by the actuaries in the resulting estimates.

No one knows the number of people disabled. No one knows the causes of their disability. No one knows whether this number is growing or decreasing. No one knows what presently disabling conditions may be eliminated by medical science. No one knows what presently fatal conditions will be only disabling tomorrow. The administration has recognized the lack of data in this area, and has proposed a periodic morbidity survey to obtain the basic information now sadly lacking.

No one knows the extent to which disability benefits are realy unemployment benefits, though all experienced persons concede that there is a relationship between the two. No one knows the incidence of mental disability. We do not yet know the number of applications to be made under the disability freeze. We do not know what percentage of these applications will be approved. We do not know whether the system of disability determination under the freeze is adaptable to the payment of benefits. We do not know the number of applicants for benefits which this bill is likely to stimulate. We do know that while the Ways and Means Committee estimated 200,000 applications, the Department of Health, Education, and Welfare expects to receive 700,000 in the first year.

No one knows the extent to which existing programs for the disabled are meeting their needs, nor the extent to which these programs overlap. No one knows which programs are the most useful and which the least helpful. No one has yet devised a standard definition of disability.

We commend the committee for the extent of hearings which it has held on H. R. 7225. We are grateful for an opportunity to present our views and the questions which disturb us. We do not know the answers to many of them. We are certain that no one knows the answers to some of them. We feel strongly that your committee should have answers to all of them before reporting this legislation.

It is for this reason that we have recommended a nonpartisan unbiased study of social security in all of its aspects. Such a study, limiting its activities to one field, adequately financed and staffed, and not handicapped by severe time limitations, should be able to develop many of the facts upon which sound action must be based.

We pledge the cooperation of the American Medical Association and of the medical profession in conducting such a study.

Dr. ALLMAN. I would like my whole statement placed in the record, but I would like to read 2 or 3 paragraphs if I may, sir.

Senator MARTIN. Mr. Chairman, previous witness—his whole statement is to be in the record?

The CHAIRMAN. Yes; it will be in the record in full.

Senator MARTIN. Yes; because I would like to have it.

STATEMENT OF DR. DAVID B. ALLMAN, MEMBER OF THE BOARD OF TRUSTEES AND CHAIRMAN OF THE COMMITTEE ON LEGISLATION OF THE AMERICAN MEDICAL ASSOCIATION

Dr. ALLMAN. I am Dr. David B. Allman, a practicing surgeon from Atlantic City, N. J. I am a member of the board of trustees and chairman of the committee on legislation of the American Medical Association. I just want to supplement Dr. Blasingame's statements.

The disability benefit provisions of H. R. 7225 represent an initial step in a new kind of expansion of the Social Security Act. I believe we must all realize, frankly, that this is only the beginning. Once a medical benefit is paid as a matter of statutory right, under the Social Security Act, it will be impossible to resist the pressures to expand the nature of the benefit and increase the number of beneficiaries.

Disability is a concept—a relative term—rather than a concrete and demonstrable entity. We have only to consider those physically im-

paired individuals whom we all know to realize how varied is the individual reaction to handicaps. Many paraplegics, many orthopedic cripples, many blind persons, and many men and women with the most severe physical handicaps are leading productive, self-supporting lives. Scores of others, whose impairments are negligible in comparison are dependent and helpless. Disability is physical or mental impairment—but there is also something more.

Nevertheless, there is a point beyond which the taxes supporting social insurance cannot be further increased. Nor can the benefits be withheld or materially decreased without a tremendous and adverse social and economic impact. For this reason, social insurance programs require wise long-range planning with actuarial estimates based on the best available information.

In predicting long-range costs and old-age and survivor benefit program must consider fertility rates, mortality rates, retirement rates, remarriage rates, and future economic conditions must already be looked at with askant. Already the medical profession has brought about changes in mortality rates. These changes have increased the number of individuals reaching retirement age, and have increased the number of years during which they will draw retirement benefits. This decline in mortality rates will increase the cost of the old-age benefits and, as medical science continues to give longer life to more people, the actuarial soundness of all retirement and annuity programs will be seriously impaired.

The proposed legislation introduces a new and almost completely unknown factor into actuarial computations. This is the morbidity rate. Due to the increase in life span which has been brought about by improvements in medicine, many persons who formerly would have died now live in an impaired condition. We believe that future years will bring us an ever-increasing number of persons whose lives have been prolonged, but who are, nevertheless, impaired or disabled to some extent. These individuals will be potential beneficiaries of the proposed legislation. No one knows what this will do to cost estimates and what it will do to the economy of our country.

Unless Congres—and in this instance that means this committee—can halt the pressures for an ever-increasing amount of benefits to be paid to an ever-widening circle of individuals, the cost of social security must inevitably rise so sharply as to make it not only unattractive but also unsound.

Gentlemen, we thank you very much for this opportunity to be here and to give you our viewpoint.

Senator MARTIN. May I ask just one question. I don't want to delay you.

Dr. ALLMAN. We are in no hurry, sir.

Senator MARTIN. Has your organization given any thought to the actuarial situation, and also the possible cost in the future?

Dr. ALLMAN. We have given some thought to it, sir. I don't think we are prepared to come up with numbers for you. But it is very obvious to us that with conditions being as I mentioned they will show that it can become quite catastrophic from the economic standpoint. With more and more people living more and more years and the whole population of the country becoming older and older, it is only reasonable——

Senator MARTIN. The reason I asked that question is the medical profession possibly has more information with regard to the lengthening of lives than any other group in this country. It would be most helpful to the Nation—not to the committee but to the Nation—if you could give us a study based on more advanced information that your organization has than possibly any other organization in the country.

Dr. ALLMAN. We can give it to you in age. I thought you meant dollars and cents.

Senator MARTIN. I do means dollars and cents because you have possibly gotten basic information that is more reliable than any other organization in the country.

Dr. ALLMAN. We do, sir.

Senator MARTIN. I am very much interested in helping the welfare of our people. But on the other hand, the welfare of our people depends upon a proper financial side——

The CHAIRMAN. I think if you could find that it would be very valuable. Not the cost in money but increase in length of years.

Dr. ALLMAN. I think that can be done. I will be very happy to take it up with our council of medical services immediately.

The CHAIRMAN. I think it would be helpful to be supplied to the other members who had to leave the hearings.

(The statement of Dr. David B. Allman is submitted in its entirety as follows:)

STATEMENT OF THE AMERICAN MEDICAL ASSOCIATION RE SOCIAL SECURITY ACT AMENDMENTS OF 1956

By David B. Allman, M. D.

Mr. Chairman and members of the committee, I am Dr. David B. Allman, a practicing surgeon from Atlantic City, N. J. I am a member of the board of trustees and chairman of the committee on legislation of the American Medical Association. This statement is submitted on behalf of that association and is supplementary to the testimony of Dr. Blasingame.

The disability benefit provisions of H. R. 7225 represent an initial step in a new kind of expansion of the Social Security Act. I believe we must all realize, frankly, that this is only the beginning.

Other witnesses have indicated to this committee that if the fixed retirement age of 65 is ever reduced, it will be impossible to prevent continued reductions in that age. This disability proposal is in the same category.

Once a medical benefit is paid as a matter of statutory right, under the Social Security Act, it will be impossible to resist the pressures to expand the nature of the benefit and increase the number of beneficiaries.

Costs computed in relation to this first step, as unsatisfactory as those estimates are, give only a hint of what the eventual costs of this proposal will be.

For more than 20 years Congress has wisely resisted the pressures from the same groups which again and again have supported the payment of disability benefits. If Congress now capitulates to these pressures, this program will become the initial step in a comprehensive Federal medical care system.

Because of the great difference in needs, a social insurance disability benefit program cannot be grafted onto an old-age benefit program with any hope of meeting the actual needs of the disabled. To the extent that the benefits fail to meet actual needs, they must be supplemented by public assistance. This is clearly contemplated in the pending bill which provides that the proposed benefit will be reduced by the amount of any such benefit payable because of disability. In meeting need, therefore, it is plain that H. R. 7225 adds nothing but an untried system and an additional cost to already existing programs of aid to the disabled.

Disability is a concept—a relative term—rather than a concrete and demonstrable entity. We have only to consider those physically impaired individuals whom we all know to realize how varied is the individual reaction to handicaps. Many paraplegics, many orthopedic cripples, many blind persons, and

many men and women with the most severe physical handicaps are leading productive, self-supporting lives. Scores of others, whose impairments are negligible in comparison are dependent and helpless. Disability is physical or mental impairment, but there is also something more.

The determination of the existence of a physical or mental impairment presents some problems, but the big difficulty in pinning down the elusive concept of disability lies in identifying the "something more." Other witnesses have mentioned the many existing programs under which aid of one type or another is available to disabled persons. Determinations of disability are made regularly in the administration of these programs.

In addition, determinations of disability are made regularly under waiver of premium and benefit provisions of private insurance contracts and in the personal injury claims which arise daily. The difficulties experienced in making these determinations are indicated by the tremendous amount of litigation, both in the courts and before administrative agencies, which arises out of the evaluation of a physical or mental impairment.

Yet all of these programs contain features which tie the "something more" down more securely than would the proposed measure. Personal injury litigation is concerned less with loss of earning capacity than with the existence of the impairment itself. So it is with workmen's compensation claims. In both of these categories, the claimant's disability can be stated in terms of percentage of loss, and the necessity of making an all black or all white determination of permanent and total disability is removed. Further, the disability is related to a specific incident—to a certain act of the defendant, or to a certain circumstance arising out of and in the course of employment. The possibilities of fabricated or induced claims are reduced by these circumstances.

The concept of reduced employability is another factor to which a physical or mental impairment is related in establishing disability. This effect of the impairment on employment is the one used in H. R. 7225. It is also the one used in most private insurance contracts and in all public assistance programs. It adds an additional subjective factor—the attitude of the claimant toward his impairment—to disability determinations and is consequently more difficult to administer. Recognizing this fact, both private insurance programs and public assistance utilize controls which, of necessity, will be lacking in the proposed social-security benefit program.

The primary control utilized in true disability insurance and not available under the proposed disability plan is the exclusion of undesirable risks from coverage. In this manner, the number and cost of questionable claims is greatly reduced. When claims are presented, a much better examination of the claimant, and a much more careful scrutiny of his claim is made in private insurance programs than is contemplated in H. R. 7225. Further, private insurers follow up the individual who is receiving benefits to determine the continuation or termination of the disability. This type of policing program, even if undertaken by the Federal Government, would be prohibitive in cost.

Public-assistance programs are administered by local agencies, consequently a recipient of public assistance will not continue to draw benefits after return to gainful employment. Such a person cannot move to another part of the country, to live on his benefits, possibly supplemented by income produced by himself or his family. It is plain that, unless a complicated and expensive followup program is undertaken by the Social Security Administration, both of these controls will be totally lacking in the proposed program. The result will be an unnecessary increase in both the number of beneficiaries and the amount of benefits paid. Obviously, this will greatly increase the cost of this program.

It has been suggested that the disability determination procedure established under the new "disability freeze" provides the mechanism for making similar determinations upon which benefits would be paid. If this were the case, the problem would be much simpler. Unfortunately, however, such a system will not work where the finding provides the basis for an immediate benefit rather than a distant and relatively small increase in retirement payments.

It has been the experience of disability benefits programs that, due to the cost of determination and follow up, the administrative costs run much higher than do other pension programs. The cost estimates which we have seen do not provide for the drain on the trust fund which a sound initial work-up will produce.

One of the difficulties of any insurance system is the prediction of long-range costs. To some degree, social insurance is free from the pitfalls into which true insurance may fall if these predictions are inaccurate. This is because taxes

may be currently increased, or benefits may be currently reduced, if the cost proves to be higher than anticipated. Such adjustment of the contractual premium and benefit rates is impossible with true insurance.

Nevertheless, there is a point beyond which the taxes supporting social insurance cannot be further increased. Nor can the benefits be withheld or materially decreased without a tremendous and adverse social and economic impact. For this reason, social insurance programs require wise long-range planning with actuarial estimates based on the best available information.

Our old-age and survivor benefit programs have already been changed many times since its inception. While there has been a noticeable reluctance on the part of Congress to increase the tax rate, there have been many increases in benefits. While there have been some increases in the tax rate, the income taxes to support these increased costs have thus far been obtained largely by broadening the tax base (adding additional taxpayers) and by the increase in the amount of taxable income from $3,000 to $3,600 and, most recently, to $4,200. The extent to which this tax base can be broadened by including additional groups is limited, and that limit has been very nearly reached. Future increases in benefits must be supported either by an increase in the tax rate or a further increase in the amount of annual income on which the three taxes supporting the social-security system are levied. It is apparent that future benefit increases will present a problem in financing the system. Indeed, as more and more people become beneficiaries, unless employment remains high, the present scheduled tax increases cannot be certain of meeting the increased demands on the system.

The old-age and survivor benefit system itself is far from perfected. For instance, the approximately 25 years of a widow's life between the 18th birthday of her youngest child and her 65th birthday is ignored in the present system. Presumably, the growth of this survivor's benefit would produce, at some future date, a benefit payment to the surviving widow who has no children under 18. Certainly as good a case can be made out for paying such benefits to a 58-year-old widow, as can be made out for disability benefits. We are convinced that broadening the concept of social insurance to include the payment of disability benefits would effectively preclude this development. This is because the cost of the system could be expected to rise so sharply as to make the tax rates high and unattractive. In predicting long-range costs the old-age and survivor benefit program must consider fertility rates, mortality rates, retirement rates, remarriage rates, and future economic conditions. Already the medical profession has brought about changes in mortality rates. These changes have increased the number of individuals reaching retirement age, and have increased the number of years during which they will draw retirement benefits. This decline in mortality rates will increase the cost of the old-age benefits and, as medical science continues to give longer life to more people, the actuarial soundness of all retirement and annuity programs will be seriously impaired.

The proposed legislation introduces a new and almost completely unknown factor into actuarial computations. This is the morbidity rate. Due to the increase in life span which has been brought about by improvements in medicine, many persons who formerly would have died now live in an impaired condition. We believe that future years will bring us an ever increasing number of persons whose lives have been prolonged, but who are, nevertheless, impaired or disabled to some extent. These individuals will be potential beneficiaries of the proposed legislation. No one knows what this will do to cost estimates.

The pending proposals provide for the payment of disability benefits only to covered individuals beginning at age 50, except for disabled dependent children. It is idle to suppose that age 50 is a magic figure which will not be subject to change in the future. Certainly there is nothing to differentiate the disabled person at age 50 from a similarly disabled person at age 48. The entire history of broadening social security benefits leads us to believe that once a disability benefit is paid under this program, it will only be a matter of time until the class of beneficiaries is enlarged to include those below age 50—to include the dependents of disabled individuals—and to include a broader range of disability. With each increase in benefits, the cost of the system will mount. It has already been pointed out that the proposed increases alone will bring about a situation where some self-employed individuals will be required to pay more in social security taxes than they do in Federal income taxes.

Unless Congress—and in this instance that means this committee—can halt the pressures for an ever-increasing amount of benefits to be paid to an ever

widening circle of individuals, the cost of social security must inevitably rise so sharply as to make it not only unattractive but also unsound.

We are glad to be here on this occasion and wish to sincerely thank the chairman and all the members of this committee for this opportunity to present the views of our association on the specific phases of this legislation to which this statement has been directed.

The CHAIRMAN. This hearing is adjourned, to reconvene on Tuesday at 10 o'clock.

(By direction of the chairman, the following is made a part of the record:)

STATEMENT OF EDMUND P. RADWAN

Because I have long been an admirer of Dr. Marvin A. Block, of Buffalo, and his fine work in the field of alcoholism, I was particularly shocked and disappointed by his recent testimony before the Senate Finance Committee in opposition to certain improvements in the social-security program. The amendments passed last year by the House and now before the Senate would:

(*a*) Lower the retirement age for women from 65 to 62.

(*b*) Pay social security to disabled workers at age 50.

(*c*) Continue social security for disabled children after age 18.

A group of doctors, representing various medical associations and doctors' groups, rose up to strike at this bill on February 9. Dr. Block, representing a committee on alcoholism, felt the bill "would adversely affect patients since it would discourage them from assuming the responsibility for caring for themselves." Social security payments "would be tantamount to subsidizing the illness," the doctor felt.

This and other medical testimony delivered against the bill would be highly amusing, if it did not represent an effort to curtail a social-security program which has in the past 20 years become part of our way of life in America.

Where does this kind of thinking take us? Would the doctors who testified against these amendments suggest also that we abolish workmen's compensation so as to teach people that they have no business getting hurt on their jobs? How silly can they get? Since social security in general is designed to help people in their old age, would these same doctors argue that we could keep people forever young by abolishing social security and thus discourage them from wanting to get older? To top it off, would these doctors recommend that we abolish the medical profession, as a means of eliminating all illness? By their reasoning, people would be completely discouraged from getting sick, if they knew there were no doctors to take care of them. Silly as the above sound, it is the type of foolish reasoning these doctors seem to be trying to sell to the Congress.

In a more serious vein, the social-security program has long been taken for granted as an accepted part of our lives. In the United States, our older folks can jokingly say, "Don't resent growing old—it's a privilege denied to many people," and it is a privilege, if you don't have to fight poverty, or be stripped of your pride by dependence on children or other relatives.

This program is paid for by the people. It's a perfect example of national thrift, saving now in prosperous times, to ease the retired years for all of us. Today's aged deserve old-age insurance. Their hard work has put this country in a position to pay them the old-age benefits they so richly deserve. That the public favors social security is evidenced by the answers now pouring in to an annual questionnaire I recently mailed out. The question dealing with the proposed social-security amendments is being answered overwhelmingly in favor of the bill.

Chronic alcoholism, with which Dr. Block is concerned, represents only a very, very small aspect of these social-security amendments, which are concerned with all form of disability, and with the problems of disabled dependent children, and the retirement of married women. Even chronic alcoholism, however, is recognized as a serious illness, and you do not cure a sick person by depriving him of support out of a fund to which he has contributed. And since when did lack of money keep a chronic alcoholic from alcohol?

The American Medical Association, by its efforts to "protect" the people from social security, has not endeared itself to the great majority of our citizens. Frankly, it's difficult to see why social security, generally, is a problem with which the American Medical Association should concern itself.

CERTIFIED COPY OF RESOLUTION ADOPTED BY HOUSE OF DELEGATES OF AMERICAN BAR ASSOCIATION

I hereby certify that the following is a true and correct copy of a resolution adopted by the house of delegates of the American Bar Association at its meeting on February 21, 1956:

"Whereas the house of delegates at its last meeting requested the conference of bar presidents to conduct a poll of the State bar associations on the question of whether they favored compulsory coverage for self-employed lawyers under social security if voluntary coverage is not obtainable; and

"Whereas such a poll has been conducted and 27 of the 34 State bar associations have voted in favor of compulsory coverage if voluntary coverage is not obtainable: Now, therefore, be it

"*Resolved*, That the American Bar Association go on record as favoring compulsory coverage for self-employed lawyers under social security if voluntary coverage is not obtainable."

JOSEPH D. STECHER, *Secretary.*

LAKE CHARLES, LA., *February 8, 1956.*

Senator ALLEN J. ELLENDER,
United States Senate, Washington, D. C.

DEAR SENATOR ELLENDER: In 1950 the Congress passed Public Law No. 734, with a rider that examinations in the various States to determine who was blind and thus elgible for certain aid from the public funds should be made by either an ophthalmologist or an optometrist and no distinction could be made between the two. Fortunately, some States have their own laws which require review of such diagnoses by an ophthalmological consultant, and in most instances patients examined by optometrists in those States are reexamined by medical men, thus duplicating the expense of examination and wasting public funds.

The optometrist is limited by education and training to testing eyes for glasses, or giving visual training to individuals with good vision whose eyes do not function well together. He cannot determine better than any other layman whether a person is blind, because he must depend on what the patient tells him. An objective ocular examination such as that made by any doctor of medicine is beyond his ability or capacity. Already case reports are accumulating where individuals certified to be blind by optometrists have been found to have useful vision, which makes them ineligible for blind pensions, thus reducing the continued waste of tax funds. In addition, optometrists are unable to determine what blind patients may be rehabilitated by medical or surgical treatment, thus continuing a relief load which might be decreased by proper interpretation.

The definitive diagnosis of a blind person is a medical process. By granting this right of diagnosis to the optometrist, the Federal Government established him in the field of medical practice for which he is neither trained nor educated, a fact which the national leaders of optometry freely admit. But the State organizations will use this decree as a lever in promoting legislation in the various State legislatures to give them the right to practice ocular medicine and surgery. Measures such as this were presented in the last legislative sessions in Oklahoma, New Jersey, Pennsylvania, and the District of Columbia but failed to pass on these trial runs. More such will be forthcoming.

This type of legislation may be a factor to consider in the relations of the State and Federal Governments because the empowering of optometrists, or of any other group, to do that which is forbidden under their State laws results in setting aside the States in the exercise of their police powers, a course which so far has not been attempted in other fields and one which many authorities in this field consider as a threat to our system of Government.

Our blind people deserve the very best in the way of medical or surgical treatment. If malingerers are on public payrolls, they deserve nothing. As information concerning this provision of Public Law 734 becomes widely disseminated, more and more undeserving individuals will be added to the tax load and if a recession or depression occurs, the possibilities are staggering. The best method of preventing waste of funds to the blind is by a thoroughly scientific screening of those who should be eligible. That our motives are more humanitarian than economic can easily be determined by our attitude toward the blind program in the past, when for many years we made examinations of the indigent blind without any charge. As the welfare program developed, small fees were then allowed for this purpose, which, in this State at least during

the depression, were cut to three dollars or even less. The maximum allowed now is $5, which in itself can cover nothing more than the office expense for the time consumed in examining the patient and writing out the report. We have no quarrel with this feature of the program, and would gladly do it for even less if the affairs of State would necessitate it. We are simply interested in seeing that the blind rolls are not padded with people who should not be there, and that those who are blind obtain the type of examination which will determine whether or not they can be rehabilitated.

Another and very important aspect of the participation of optometrists in this program is that applicants for blind pensions frequently have progressive conditions, such as glaucoma, in which prompt treatment or surgery may prevent further deterioration and thus preserve or better what vision may still be present. We have reason to believe that many completely blind persons would still have some measure of useful vision if their initial surveys for blind pensions had been made by a competent ophthalmologist.

Discussion of this law with other Congressmen discloses that many had little conception of what an optometrist was qualified to do when the measure came before the House. Perhaps a clarification of various groups associated with eye care is in order.

The ophthalmologist is a doctor of medicine who has pursued a postgraduate course of study in diseases of the eye for from 3 to 5 years. This, with his 3 to 4 years of premedical education and his 4 years in medical college, makes a specialized medical education of from 10 to 12 years.

An optometrist is a nonmedical man who pursues a course of study in an optometry college, all of which are private institutions, except for the University of California, Ohio State, and Houston. This may consist of 4 or 5 years of nonmedical education which enables him to refract or fit eyes with glasses, fit and adjust frames, and give visual training exercises to patients who may or may not need them. A considerable part of his education in such institutions, especially the university courses, is made up of the usual elementary college subjects not applicable to his vocational training.

An optician is a skilled mechanic who, after an apprenticeship, provides frames and lenses on the prescription of an ophthalmologist. Optometrists rarely use opticians as they prefer to furnish their patients with glasses, thus making a sales fee as well as an examination fee.

With this background of knowledge of the ophthalmic profession and the optometric group, I hope you will give serious consideration to supporting the amendment which we hope to offer, which will provide that the diagnosis of blindness shall be made by a doctor of medicine skilled in diseases of the eye.

Sincerely yours,

PEGRAM L. MCCREARY, M. D.

TRI-PROFESSIONS COMMITTEE FOR THE STUDY OF SOCIAL SECURITY,
Santa Barbara, Calif., February 4, 1956.

STATEMENT ON SOCIAL SECURITY SUBMITTED TO SENATE FINANCE COMMITTEE

As practicing physicians, dentists, and attorneys at law, and as United States citizens, we are deeply concerned over the implications of H. R. 7225 and respectfully request that this brief summary of our views be read before the committee and made a part of the record.

We are strongly opposed to H. R. 7225 for reasons which follow, and urge that this bill be held in committee until a thorough and impartial study of the whole structure and philosophy of social security has been made and considered at length by all our legislators and by the public. Congressmen should not be asked to vote on any social security bill in an election year.

1. Support of the aged is rightfully the responsibility of family units, cities, counties, and the individual States, rather than the Federal Government.

2. History shows that social security has been used as a political vote-getting giveaway program to delude the ignorant and to tax them into dependence upon a paternalistic government. As a corollary, it has intimidated legislators who did not approve but dared not oppose.

3. Since there is no contract, social security is not insurance, but inequitable taxation and the dole.

4. It is actuarily unsound.

5. The inevitable trend of social security is toward more comprehensive coverage, increased benefits and higher taxes. H. R. 7225 is a typical example of this.

6. Federal social security is exceedingly costly. If taxes for this purpose, as in other countries, eventually take 30 percent of wages, and individuals have to pay Federal and State income taxes in addition to indirect and local taxes, nothing is left for savings or insurance.

7. Cash disability benefits at age 50 will not only lead to extensive graft and malingering, but will mean eventual socialization and demoralization of our professions. The criteria for certification of disability are impossible to define. Obviously, this means not only more expensive and poorer quality medical and dental care, but progressive socialization of our entire economy. We believe the people do not want this deplorable situation.

8. The granting of cash disability benefits at age 50 must logically be extended sooner or later to the disabled at any age. This is the avowed program of the International Labor Organization for social security from cradle to grave. Gentlemen, this is socialism.

In view of the above facts, we respectfully urge the following actions:

(*i*). Keep H. R. 7225 in committee until a thorough, impartial study has been made and considered by both Houses and our citizens.

(*ii*) Take social security out of politics. Return it to the original plan of a simple pension.

(*iii*) Give our people the facts so they may balance the advantages against the terrific cost and the socialistic implications.

(*iv*) Reduce Federal expenditures in accordance with the suggestions of Senator Byrd and the Hoover Commission. This should permit tax reductions and give the people more spendable income for savings, investment, and insurance.

(*v*) Support by educational or other logical means the rapid extension of voluntary, catastrophic health and accident insurance of a deductible type.

(*vi*) In all fairness, give our professions needed tax relief for voluntary pension savings by supporting legislation like the Jenkins-Keogh bill.

(*vii*) Work for withdrawal of the United States from the International Labor Organization. At the very least, no funds should be appropriated for its support.

Respectfully submitted.

Tri-Professions Committee for the Study of Social Security: Granville F. Knight, M. D., Chairman; Benjamin H. Huggins, M. D.; Arthur E. Wentz, M. D.; Virgil E. Hepp, M. D.; Walter H. Pinkham, D. D. S.; Francis Price; Charles S. Stevens, Jr.

Committee members: Lawrence M. Nelson, Walter C. Graham, Harry E. Henderson, William R. Johnston, John S. McCall, Francis Price, Jr.

RESOLUTION ADOPTED FEBRUARY 13, 1956, FOR PRESENTATION TO THE SENATE FINANCE COMMITTEE

SUBJECT: SOCIAL SECURITY

Whereas amendments to the Social Security Act of 1935 have radically changed the original concept of this measure from that of a temporary pension to include ever-expanding benefits of a radically different type, and

Whereas there is evidence that such extension is actuarily unsound and by excessive taxation above and beyond that now borne by all our citizens will seriously threaten both our economy and our free enterprise system, and

Whereas the new principle of cash disability benefits embodied in H. R. 7225 is reactionary, contrary to American principles and calculated to lead to cradle-to-grave social security, governmental medicine and dentistry and the eventual socialization of our country, and

Whereas compulsory inclusion in social security has totalitarian aspects which are repugnant to self-respecting citizens, now therefore be it

Resolved, That we, the members of the Santa Barbara County Medical Society do hereby strongly oppose H. R. 7225 and any further expansion of social security. As physicians we emphatically object to compulsory coverage for ourselves but do favor the Jenkins-Keogh bill permitting voluntary, tax-emept savings earmarked for retirement, and be it further

Resolved, That we urge prolonged, impartial study of the origins, philosophy, fiscal soundness and socialistic implications of social security before H. R. 7225 is discharged from your committee.

Respectfully submitted.

RICHARD MCGOVNEY,

President, Santa Barbara County Medical Society, Santa Barbara, Calif.

COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.,
New York 7, N. Y., March 2, 1956.

Hon. HARRY F. BYRD,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: When I appeared before the Senate Finance Committee on February 22, to testify on H. R. 7225, I included in my remarks a section which related to the need for annual reporting so as to reduce the costs of operations for business and industry.

My recommendations for annual reporting were directed to the operation of the law as it affects industry. It has been brought to my attention that State and local employees are reported on a quarterly basis and this group of employees is desirous of maintaining reporting on a quarterly basis because of certain internal problems inherent to this group.

I trust that the record will show that I, as an industry spokesman, did not wish to disturb the existing procedure presently used for reporting the wages of Government employees for social security purposes.

My thanks to you for your cooperation.

Sincerely yours,

WILLIAM ZUCKER,
Director of Studies.

PRINCETON UNIVERSITY,
DEPARTMENT OF ECONOMICS AND SOCIOLOGY,
INDUSTRIAL RELATIONS SECTION,
Princeton, N. J., March 5, 1956.

MRS. ELIZABETH B. SPRINGER,
Chief Clerk of Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR MRS. SPRINGER: Your committee has received so much testimony from the medical societies and insurance groups in respect to the administrative problems under permanent and total disability programs that I believe the enclosed statement based on a survey just completed at Princeton will be of interest. After reading the full report in manuscript, I ask the economist in charge to give me a brief summary of the relevant findings for immediate transmittal to the committee.

The full report based on more than a year of work will be off the press late this month. It is the latest in a series on the administration of company benefit programs begun at Princeton some years ago. I might say that the reports of the industrial relations section, which have been issued for 30 years, have never been questioned as to thoroughness or reliability by either management or labor, or by any other interested group. While the report deals with company programs, the experience gained thereunder is of marked significance in respect to the administrative problems in the determination of permanent and total disability under the old age and survivors' insurance program.

I do not know whether it is possible to add the statement to the record of the hearings or not. I will send you copies of the complete report as soon as it is off the press.

Yours sincerely,

J. DOUGLAS BROWN.

SUMMARY OF FINDINGS FROM STUDY OF EXPERIENCE UNDER COMPANY PLANS FOR PERMANENT AND TOTAL DISABILITY RETIREMENT

I recently completed a study of disability retirement in industrial pension plans, to be published shortly by the industrial relations section, Princeton University. In the course of this research we assembled a large amount of data on the availability, scope, experience, and problems with disability retirement under company retirement programs. We sent out questionnaires to some 200 companies in many industries and various parts of the country. Furthermore, I had detailed personal interviews with executives in 25 companies and with many

labor leaders and pension experts. Among the firms surveyed were some of the largest industrial concerns in the country and many who are commonly recognized as leaders in the field of industrial relations practices and employee benefits.

In testimony given before the Senate Finance Committee on H. R. 7225, the following three statements have repeatedly been made by a number of witnesses: First, Federal disability insurance is unnecessary in view of the existence of many other benefit programs. Second, disability-insurance programs encourage malingering. Third, disability-insurance programs give rise to much disagreement and controversy among doctors.

These statements cannot be taken at face value. In our analysis of the experience with industrial benefit plans, information was developed which touches directly on these three points. A factual evaluation of their validity is therefore possible.

1. Is there a need for a Federal disability insurance program?

It has been said that Federal disability insurance is unnecessary because there are numerous other programs through which the disabled can receive benefits. Even if restricted to work-incurred disability cases; i. e., those eligible to receive workmen's compensation, this statement is but partially true. However, only about 5 percent of the totally and permanently disabled in the country are in this category. Our research indicates that the vast majority of others either have no protection at all or are eligible only for extremely low benefits.

For example, we asked the companies: "What benefits would have been payable to a male employee who became totally and permanently disabled at age 51, after 15 years of service, with average annual earnings of $4,000, and was retired December 31, 1953?" Their answers showed that in half of all cases, such an individual receives no benefits at all under existing company plans. In another third of the total, he is eligible for $50 per month or less. Only 9 companies would have paid more than $70 per month.

This evidence speaks for itself. Among individuals covered by the most favorable and liberal private plans in the country, either no financial protection is available for the permanently and totally disabled or the monthly payments are so low as to be insufficient to meet the minimum requirements of a disabled person with or without family dependents. Other segments of our population are, of course, in a still less favorable situation. The need for a Federal disability program is clear.

2. Do disability benefit programs encourage malingering?

The experience with industrial pensions shows almost no evidence of malingering. The majority of company executives emphasized that, although they had initially feared such a trend, it had not materialized.

Analysis of rates of incidence of disability retirement in various companies supports these statements. In 1953, there were on the average 0.1 disability cases per thousand workers in the age groups below 50. For those aged 50–54, 55–59, and 60–64 the average rate was 1.8, 5.7, and 10.4 respectively. These rates are so low that the alleged number of malingerers, even if existent, could not have been large. Moreover, we found that companies operating well-administered programs with proper review procedures had even fewer disability cases than the above averages indicate.

The absence of any serious problem of malingering is hardly surprising. According to the Bureau of Labor Statistics figures for October 1955 average weekly earnings in manufacturing were $78.50. It is clear that the disparity between these normal earnings and any disability benefit is so great that no sensible person would lose the incentive to get well.

3. How frequent are disagreements among doctors over disability?

Company and union officials were unanimous in stressing the absence of serious controversy or disagreement in disability decisions.

Our research tended to bear out this view. Where special machinery to arbitrate possible disputes had been set up, it had only rarely been necessary to employ it. The experience of one of the country's major companies illustrates this point: Under their system, disability disputes between union and management doctors are submitted to a neutral medical authority for arbitration. Of 700 actual disability applications, 685 were acted upon without controversy.

Only 15 had to be submitted to the neutral doctors and even then the issue was always quickly resolved. In companies where disputes over disability are settled through the regular grievance procedure, it was rare indeed when more than 1 or 2 disability grievances were filed in 1 year. The cumulative evidence led us to conclude that in the plans studied, the determination of permanent and total disability, in actual fact, does not give rise to much controversy.

W. MICHAEL BLUMENTHAL,
Research Associate,
Industrial Relations Section, Princeton University.

MARCH 1, 1956.

(Whereupon at 1:15 p. m., the hearing was adjourned, to reconvene at 10:15 a. m., Tuesday, February 28, 1956.)

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