

ADJUSTED COMPENSATION ACT

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SIXTY-EIGHTH CONGRESS

FIRST SESSION

ON

H. R. 7959

**AN ACT TO PROVIDE ADJUSTED COMPENSATION FOR
VETERANS OF THE WORLD WAR, AND
FOR OTHER PURPOSES**

MARCH 25-29, 1924

WITH INDEX

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COMMITTEE ON FINANCE

UNITED STATES SENATE

SIXTY-EIGHTH CONGRESS, FIRST SESSION

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ADJUSTED COMPENSATION ACT

TUESDAY, MARCH 25, 1924

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

The committee met at 11 o'clock a. m. in the hearing room of the Senate Finance Committee, 310 Senate Office Building, Hon. Reed Smoot (chairman) presiding.

Present: Senators Smoot, McLean, Curtis, Watson, Reed of Pennsylvania, Elkins, Simmons, Jones of New Mexico, Gerry, Walsh of Massachusetts, Harrison, and King.

There were also present: Mr. John Thomas Taylor, general counsel of the American Legion; Mr. Herbert Hess, actuary employed by the Legion; and Mr. Edward McE. Lewis, of the national legislative committee of the Legion; Mr. J. S. McCoy, special adviser to the Finance Committee of the Senate; and others.

The CHAIRMAN. Gentlemen, yesterday I presented to the committee an estimate of the cost of H. R. 7959, known as the House bonus bill, prepared by Mr. Joseph S. McCoy, the Government actuary. The estimated cost of that bill, according to Mr. McCoy, is \$4,358,329,000.

(The estimate referred to is as follows:)

(1) Total number entitled to bonus.....	4, 477, 412
Average service.....days..	398
Total man-days.....	1, 782, 009, 976
Deduct man-days of (4) 865,741 serving average of 30 days.....	25, 972, 230
Remainder.....	1, 756, 037, 746
Deduct man-days (5) 389,583 serving 85 days.....	33, 114, 555
Remainder.....	1, 722, 923, 191
Deduct man-days in excess of limit; home service only, 500 days; other service only, 500 days; mixed service, 624 days; estimate 150,000 veterans at 100 days.....	15, 000, 000
Remainder.....	1, 707, 923, 191
Total cash base, on assumption that the service of those who served over 110 days was 50 per cent home service:	
1,707,923,191 at \$1.....	\$1, 707, 923, 191
853,961,595 at \$0.25.....	213, 490, 399
Total cash base or service credit.....	1, 921, 413, 590
Deduct \$60 for each of 3,222,088 veterans—bonus already paid.....	193, 325, 280
Total cash base or service credit.....	1, 728, 088, 310
Average cash base, \$536.33 (divide by (6) 3,038,283 plus (2) 183,805).	
Deduct gross payments to (2).....	98, 550, 136
Balance.....	1, 629, 508, 174
Add 25 per cent.....	407, 377, 044
Total of all service certificates.....	2, 036, 885, 218

¹ From data in the McCumber report, page 71.

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Average service certificate.....	\$670. 41
Cost of \$1,000 endowment policy at the age of 32.....	496. 62
Average endowment policy.....	1, 349. 95
Total payments by Government, on account of insurance policies within 20 years, \$1,349.95+\$3,038,285.....	4, 101, 530, 136

COST THE FIRST YEAR

To dependents of those dying July 1, 1919, to January 1, 1924..	\$28, 000, 000
Payments to those whose service credit is not in excess of \$50 (10)	14, 799, 470
Administration (to Jan. 1, 1926).....	20, 000, 000
Dying first year, 25,151+\$1,349.95.....	35, 302, 542
Total cost first year.....	98, 102, 012

TOTAL EXPENDITURES FOR 20 YEARS

First year.....	\$98, 102, 012
Administration.....	152, 000, 000
Maturities.....	4, 066, 227, 594
Payments to dependents of those dying prior to Jan. 1, 1924.....	42, 000, 000
Total expenditures.....	4, 358, 329, 606

NOTE.—Figures in parentheses as (4) refer to such numbers on page 5 of the House report.

The House estimate on the same bill is \$2,192,000,000.

Senator WATSON. It is \$4,358,329,000.

The CHAIRMAN. The House estimate was made by the actuary of the American Legion.

Senator KING. By whom?

The CHAIRMAN. By the actuary of the American Legion.

Mr. TAYLOR. The actuary of the Veterans' Bureau.

The CHAIRMAN. The actuary of the Veterans' Bureau. I understand the actuary is here, and Mr. McCoy is also present, and, if the actuary of the Veterans' Bureau would like to be heard, the committee would like to hear him state how he arrived at the estimated amount.

Mr. HESS. Yes, sir: Mr. Brown is here and will give you the figures. The figures prepared by the actuary of the American Legion covered the cost of what is known as the Curtis bill. This is entirely different. We had nothing to do with those figures. Mr. Brown was called in by the chairman of the Ways and Means Committee.

Senator SIMMONS. Let me see if I understand you. Those were the estimates given to the House on the Curtis bill?

Mr. HESS. No, sir; the estimates were prepared in the House by Mr. Brown, at the request of Mr. Green of the Ways and Means Committee, and the American Legion had nothing to do with them, and had no knowledge of them. Our figures were prepared by our actuary.

Senator WATSON. Has the actuary of the American Legion prepared figures on this?

Mr. TAYLOR. No, sir; but Mr. Brown has.

The CHAIRMAN. We will call Mr. Brown.

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STATEMENT OF MR. HOWARD P. BROWN, ACTUARY OF THE
UNITED STATES VETERANS' BUREAU

The CHAIRMAN. You may proceed with your statement, Mr. Brown.

Mr. BROWN. The figures prepared for the Ways and Means Committee of the House were based upon the hearings and the reports submitted by the War and Navy Departments, including the Marine Corps, in the hearings in January and February, 1922; also the report on that bill was used in compiling these figures.

I found that I could not use the number of average service days which were given in the report, for the simple reason that the report itself was contradictory—using the total figures in the report of the total number of days and the total number of men who served, I arrived at an entirely different figure. I arrived at an average service of 328.18 days, which, of course, is much lower than the average they gave; and so I could not use that; but in the hearing in 1920—

The CHAIRMAN. You say you could not use "that." What do you mean by "that"?

Mr. BROWN. I mean I could not use their figures. I could not use the figures given in the hearing, which averaged up 398 for all the services.

Senator KING. You say you did not use that for a basis, for your foundation?

Mr. BROWN. I did not, for it was not consistent with itself, with the figures in the same report.

The CHAIRMAN. What figures did you use?

Mr. BROWN. I arrived at the average adjusted service for those who served over 110 days by taking the report of 1920, in which the service by months is given, and estimating those above 110 days, and those over 560 days—calling it 560 days because that was the maximum.

The CHAIRMAN. You mean you excluded all who were under 110 days?

Mr. BROWN. In arriving at the cost for adjusted service compensation, the insurance certificate. It is necessary to do that, because the average, including those who served only 30 days or less, would pull down the average when you are applying it to a group who served between 110 days and the maximum.

The CHAIRMAN. I do not see why you started it at 110 days.

Mr. BROWN. Because all that served less than 110 days are paid in cash, and you have got to get the average of the group who are going to have the insurance benefit. If you applied the average of the entire group you would have much too low a figure.

Senator WATSON. That is, under this bill, nobody who served under 110 days will get the benefit of the insurance?

Mr. BROWN. No, sir.

Senator JONES of New Mexico. That is, they deduct 60 days; that is, for the first 60 days?

Mr. BROWN. Yes, sir; the average, as arrived at from the statement furnished by the War Department in 1920 was 442 days, and deducting 60 from that, you get 382, which gives you the average.

Senator WATSON. How many soldiers did you count as beneficiaries under this plan?

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Mr. BROWN. There are 3,038,283 who are entitled to the insurance benefits.

Senator REED of Pennsylvania. What is the average service credit that you have figured?

Mr. BROWN. For those men, 382 days—that is, deducting the 60.

Senator REED of Pennsylvania. That is not the amount the Government allowed them for their service credit.

Mr. BROWN. That is the service credit.

Senator REED of Pennsylvania. Three hundred and eighty-two. That was increased how much—to 478, wasn't it?

Mr. BROWN. To 477.50, to be exact.

Senator REED of Pennsylvania. And that is still not the amount the Government will pay.

Mr. BROWN. That is applied as net single premium, under the American Experience Table of Mortality at 4 per cent interest, to purchase endowment insurance under the 20-year plan.

Senator REED of Pennsylvania. What will be the average amount of endowment insurance at face value that would purchase?

Mr. BROWN. \$962.

Senator REED of Pennsylvania. In reaching your estimate of the cost of the bonus, you multiply the average number, or the total number, of service men by \$477.50. Is that right?

Mr. BROWN. No; in arriving at the cost to the Government, the single premium, which we have just stated as \$477.50, was applied as a net single premium to purchase the insurance, and calculation was made on what the annual premiums would be on that same amount of insurance for 20 years, and that annual premium represents the amount the Government will have to pay, or will have to set aside each year, to accumulate at 4 per cent interest, after deducting claims, to ultimately retire or mature the certificates at the end of 20 years.

Senator WATSON. How much is that?

Mr. BROWN. A total amount of \$2,025,889,696. Then I obtained an equivalent level amount to make the appropriation level, which comes to \$102,633,962.

Senator REED of Pennsylvania. Then that total that you reach is the amount the Government would pay if it had a savings bank into which it could put the money at 4 per cent interest?

Mr. BROWN. If that appropriation is invested in bonds which will earn 4 per cent, it will mature all the bonds without further addition.

Senator REED of Pennsylvania. How much is the total the Government will eventually have to pay—962 multiplied by three million and odd men?

Mr. BROWN. Yes, sir.

Senator REED of Pennsylvania. What is the total number of men?

Mr. BROWN. It is 3,038,283.

The CHAIRMAN. And what is the amount?

Mr. BROWN. It is \$962.

Senator HARRISON. What is that?

Mr. BROWN. It is \$2,922,828,246.

Senator SIMMONS. Mr. Brown is taking into consideration here the earnings on the annual appropriation, whereas the other actuary doubtless simply figured the cost of the whole thing, not contemplating annual appropriations at all or the earnings on it. I just wonder if that is not the cause of the discrepancies.

Senator WATSON. You can find out from Mr. McCoy.
Senator KING. I do not think the actuary figured out the amount you will have to pay out each year.

Senator McLEAN. That is what I was going to say. In case of deaths, you will have to figure a certain percentage on that.

Senator JONES of New Mexico. I imagine that is cared for.

Senator McLEAN. There would be demands upon that annual appropriation to pay death losses.

Senator KING. Yes; the full amount that you invest will not remain invested.

Senator SIMMONS. Have you agreed on the number of days and the number of people, and would it be just a matter of mathematics?

Mr. BROWN. It is \$2,922,828,246.

Senator WATSON. How does it come that you had figures here of \$2,025,000,000?

Mr. BROWN. That represents the premiums the Government will pay in.

The CHAIRMAN. Not any interest at all?

Mr. BROWN. Without any interest at all, for they would invest that in bonds immediately.

Senator KING. Have you figured out the deductions necessary every year for deaths?

Mr. BROWN. Yes, sir.

Senator KING. And have you figured out that a good many of these boys will not be subject to the usual test where people take life insurance, and, therefore, the mortality rate will be greater than the average of persons taking insurance? Have you figured that?

Mr. BROWN. I can not agree with that suggestion, because the experiences which we have been studying for a number of years, now nearly six years, do not bear that out, and I will give my reasons for that. The men are subject to a medical examination, or were when they went into the war, and those who withstood the rigors of the service came out better than they were before. The weaklings were carried off by the "flu" and the rigors of the service, as well as some of the healthy men. The result is that we now have a class of men who are finer than any average group in any insurance company. I make that statement without any fear of contradiction.

Senator KING. Will that be true of the several hundred thousand who are receiving vocational training?

Mr. BROWN. On the average; the average of the group will be.

Senator REED of Pennsylvania. It is not several hundred thousand, Senator. Sixty thousand are getting vocational training and 180,000 are getting compensation.

Senator KING. You mean that we are paying less than 300,000?

Senator REED of Pennsylvania. Yes.

Senator WATSON. Those are all eliminated from the provisions of this bill.

Senator KING. Then, there would be, in addition to this, three or four hundred million dollars more?

Senator JONES of New Mexico. I did not understand they were to be eliminated.

Senator WATSON. That is my understanding.

Senator REED of Pennsylvania. How about that, Mr. Taylor?

Mr. TAYLOR. Dependents of deceased veterans who are drawing compensation are eliminated.

Senator WALSH of Massachusetts. What do you say the total cost to the Government of this bill would be?

Mr. BROWN. On the premium plan, \$2,025,889,696.

Senator KING. How much cash would it have to pay?

Mr. BROWN. I did not figure that.

Senator WALSH of Massachusetts. He said that is the total cost of the bill.

Senator KING. I did not understand it that way. On this he figured 3,068,000, and there were 4,000,000 men.

Mr. BROWN. There have already died 383,805 men of this group, who have died since the war, that will be entitled to cash payments of \$50,000,000, who will be taken from those who will receive insurance benefits; and this is a maximum figure, for there are those who are receiving benefits from the Veterans' Bureau, and then there are those who served less than 60 days—there were 865,741.

Senator KING. State that again.

Mr. BROWN. The number that served less than 60 days is 865,741.

Senator KING. What do they get?

Mr. BROWN. They get nothing at all. Then there are those who served over 61 days and less than 110 days—or not more than 110 days. To pay them in cash will require \$14,799,470.

Senator SIMMONS. You say those taking vocational training do not get anything?

Senator REED of Pennsylvania. That is a mistake. Only those who have died are excluded.

Mr. TAYLOR. Only those who have died.

Senator SIMMONS. That is what I thought.

The CHAIRMAN. I would like to ask Mr. Taylor where in the bill those receiving benefits from the Veterans' Bureau are excluded?

Mr. TAYLOR. I say only those who have died.

The CHAIRMAN. That is different.

Senator SIMMONS. What becomes of the dependents of those who have died? Is there any provision made for them?

Mr. BROWN. Those not receiving compensation from the Veterans' Bureau, there is a provision to pay the cash bonus to them.

Senator WALSH of Massachusetts. And any veteran, where it can be proven that death was due to the service, the dependents can get compensation?

The CHAIRMAN. Under the existing law.

Senator WALSH of Massachusetts. Yes.

Senator REED of Pennsylvania. Any veterans whose death they can not prove was due to the service, they can not get adjusted compensation under this?

Mr. BROWN. The beneficiaries of those who died before making application for adjusted compensation, if they were not receiving benefits from the bureau, they receive a cash bonus in 10 quarterly installments.

Senator KING. What is the cash bonus?

Mr. BROWN. The total to be paid is \$14,799,470.

Senator KING. I thought that was for those who did not serve 110 days.

Mr. BROWN. Excuse me. There is \$50,318,772 due to those who have died.

Senator McLEAN. That has got to be appropriated right away, in addition to the \$112,000,000 annually?

Mr. BROWN. That is distributed in 10 quarterly installments.

Senator JONES of New Mexico. Then your estimate of the cost of the insurance certificates will be \$2,025,000,000; provided the Government makes an annual appropriation of \$112,000,000 and invests that in 4 per cent securities?

Mr. BROWN. That is it. It is just the same as if this credit was being given to these men and it was applied to the purchase of insurance in an insurance company.

The CHAIRMAN. If we borrow the money, of course we have got to pay 4 per cent interest on it, and you have got to add whatever the interest would be.

Senator SIMMONS. We do not borrow the money. We appropriate it. We appropriate \$112,000,000 annually.

The CHAIRMAN. But we have got to get that money some way.

Senator KING. Did you figure out the amount that will be paid out from year to year in redeeming policies?

Mr. BROWN. That is taken account of in the premiums. It is applied to purchase endowment insurance, which provides for the protection over 20 years, and the premiums take care of that.

Senator KING. Every year a large number would die, and so you would have to pay out a good many millions a year under maturing policies?

Mr. BROWN. Yes, sir.

Senator KING. Have you taken that into account in figuring the amount the Government would have to pay in addition to this \$112,000,000?

Mr. BROWN. Yes, sir; the \$112,000,000 includes the death claims. The application of the appropriation is like this. This money is immediately invested in securities that will earn 4 per cent and accumulated at interest to the end of the year; at the end of the year the death claims for that year are paid at the end of the year and the balance left is the reserve, and then the next year a new appropriation of the same amount comes in, and that is added to the reserve at the end of the first year, and the whole fund is accumulated at 4 per cent interest; after the death claims are taken care of the balance left is the reserve at the end of the second year. The same is done for the third and fourth years, and so on. This process is carried on for 20 years, and at the end of 20 years there will be a sufficient amount left in that reserve to pay all those who have not died the amount of their certificates.

Senator KING. What number do you figure will die during the 20 years?

Mr. BROWN. The original group started at 3,038,283, and the number living at the end of 20 years is figured at 2,490,020.

The CHAIRMAN. That would be 20 per cent.

Mr. BROWN. It is approximately 18 per cent.

Senator REED of Pennsylvania. You can figure it still cheaper if you took the present value of \$477 and invested that at 4 per cent. It would only cost \$1,431,000,000, if you took that amount of money now and invested it at 4 per cent to make the fund.

Senator WALSH of Massachusetts. You would have to pay the interest on the bonds.

Senator REED of Pennsylvania. Yes.

Senator McLEAN. Mr. McCoy, do you subscribe to Mr. Brown's estimate?

Mr. McCoy. I checked all the figures—

Senator SIMMONS. Let us get through with Mr. Brown first. I want to ask you, Mr. Brown, did you include the \$50 cash bonus in that estimate?

Mr. BROWN. That is not included in the \$112,000,000.

Senator SIMMONS. But under this bill it has got to be paid?

Mr. BROWN. Yes.

Senator SIMMONS. What does that amount to?

Mr. BROWN. It is included in the report. It amounts to \$14,799,470.

Senator WALSH of Massachusetts. It is not included in your figures of \$2,025,000,000?

Mr. BROWN. No, sir.

Senator WALSH of Massachusetts. When I asked what was the total cost to the Government of this bill, you did not state the exact total cost when you said that it was \$2,025,000,000?

Mr. BROWN. The total cost to the Government?

Senator WALSH of Massachusetts. Yes.

Mr. BROWN. Perhaps I misunderstood you.

Senator WALSH of Massachusetts. Then I will ask you again. What is it going to cost the country to pass this legislation?

Senator WATSON. Including the force that the Government has got to maintain to administer this law. I do not know how many men it will take. It may take thousands of people, working year in and year out, and it may be one of the greatest bureaus in the country. That has got to be considered.

Senator REED of Pennsylvania. It will take 2,000 additional clerks in the Adjutant General's office alone, working a year, to get those certificates issued.

Senator SIMMONS. Yes; and you have got to have a big force from the beginning to the end of this business to look after it, just like in an insurance company.

Senator McLEAN. Aren't there a lot of men in the Pension Bureau that could do this?

Senator KING. If you will transfer these functions to the Pension Bureau you will get it done for one-half.

Senator SIMMONS. But you will have to increase the personnel of that bureau.

Senator KING. I do not think so.

Senator SIMMONS. Yes; they claim that they need more employees right now.

Senator WALSH of Massachusetts. We are just passing the pension bill to increase the pensions of the soldiers and widows and the children of every war.

Senator WATSON. We are about to do it again. Now, are you ready to answer the question, Mr. Brown?

Mr. BROWN. The total cost of the insurance provisions of the bill, the total premiums, will be \$2,025,889,696. The amount which will be paid to the beneficiaries of those who have died since the war is \$50,318,772. The total cash to those who served less than 110 days is \$14,799,470. The total amount is \$2,091,007,938.

Senator KING. That does not include the interest on the money which we advance every year—that is not taking that into account?

Mr. BROWN. There is no reason for taking that into account.

Senator KING. But we appropriate it.

Mr. BROWN. You appropriate it; yes, sir.
 Senator WALSH of Massachusetts. It is the same as every other department.

Senator JONES of New Mexico. You have estimated that every one entitled to it will take the insurance certificates, have you?

Mr. BROWN. I have in the estimate; yes, sir.

Senator KING. You have made no allowance for the cost of administration?

Mr. BROWN. No, sir; this is the cost of the provisions of the bill, as regards the men themselves.

Senator KING. It has no reference to the cost of administration?

Mr. BROWN. No.

Senator JONES of New Mexico. If we assume that they all will not take the certificates, it would be much cheaper.

Senator HARRISON. Would Senators Reed of Pennsylvania and Elkins, who served as officers in the Army, come under the provisions of this bill?

Mr. BROWN. Not if they had a rank higher than that of captain.

Senator MCLEAN. Would a captain come under the provisions?

Senator WALSH of Massachusetts. Yes.

Senator HARRISON. Have you discussed what percentage will not make application?

Mr. BROWN. No; that has not been figured; only the maximum.

Senator KING. Now let us ask Mr. McCoy what he has to say.

The CHAIRMAN. We will ask Mr. McCoy to explain in detail.

Senator KING. Mr. Taylor, you have heard the statement of Mr. Brown. Do you assent to that?

Mr. TAYLOR. We have our own actuary here.

Senator KING. Do you differ from him?

Mr. TAYLOR. We have our own actuary, who is prepared to go on the stand.

STATEMENT OF MR. JOSEPH S. MCCOY, ACTUARY OF THE TREASURY DEPARTMENT

The CHAIRMAN. Now, we will hear from you, Mr. McCoy.

Mr. MCCOY. This so-called estimate that I made is simply a revision of the estimate printed in Chairman Green's report on this bill. I checked it up Sunday morning and worked on it until I fell asleep, and it is rather hurriedly done. The first figure in the report is the estimated number entitled to adjusted compensation, living on January 1, 1919. I think that the date in the first place is wrong, for that period goes to July 1, 1919, the period of service, but that is immaterial. Now it is stated in the report that 4,477,412 veterans are entitled to the adjusted compensation. Of course I can not pick out any figure to suit myself as to their actual service. I have got to take the information given me. If it is too great, I can not reduce it because it does not suit my purpose. The War Department in 1922 gave as the average service of 3,933,000 men 389 days; and the Navy Department gave as their—

The CHAIRMAN. Do you mean 389 or 398?

Mr. MCCOY. Three hundred ninety-eight. The Navy Department gave as the average service of 444,508 people entitled to bonus, 570 days; also 80,691 in the Marines, an average service of 440 days; finding the average service of those 4,458,199 men was 398 days. Now, I have no choice; I must include that, and take that.

Senator WALSH of Massachusetts. Do you include the total number of officers?

Mr. McCox. All who are entitled to the bonus under the provisions of the bill.

Senator KING. Does that take into consideration those serving more than 110 days and those serving less than 110 days?

Mr. McCox. No, sir; this is the average service. For all entitled to the bonus, there must be a starting point. Now, I take 4,477,412 and multiply that by 398, the average service days, and that gives me 1,782,009,976 man-days. Now, I take the figures given in Mr. Green's report and deduct the number of days of those who served 60 days or less than 60 days, 865,741. That is the number given as living January 1, 1924, who served 60 days or less. I must deduct that number of man-days, an average of 60 days, and taking 865,741 veterans who served 30 days on an average gives 25,972,230 man-days. Deducting that from the total leaves 1,756,037,746. Then there is another deduction, number 5, in the report, the estimated number living January 1, 1924, who served from 61 days to 110 days, 381,583, and I assume that average will be 85 days out of the 110. That gives me a further reduction of 33,114,555 man-days.

The CHAIRMAN. Leaving what?

Mr. McCox. Leaving 1,722,923,191. Now, the bill provides that for those who have only home service, it shall not exceed 500; for those that have any foreign service, 624. That means that a man with all home service can have 500 days, or a man who has any foreign service in it can have 624 days—that is, he might have had 620 days of home service and 4 days of foreign service, which is \$5 for foreign service and \$620 for home service, a total of \$625. That is something that has not had any attention paid to it, but it is a provision of the bill.

Now, I deduct the man-days in excess of that limit: Home service only 500 days; and other service, mixed service, 624 days. Now, I make a fairly liberal estimate there of 150,000 veterans with an average service of 100 days, and that amounts to 15,000,000. Now, I deduct that. Now, one reason why this is very liberal is that the armistice was on November 11, 1918, and that leaves a period from the ending of the war until July 1, or June 30, whichever you say, including June 30, 1919—that is, 242 days between those periods. The people in between there did not get out very fast; a lot of them did not get out until after July 1, and so these 242 days those people could have served, and that would bring the average up, and I think it is liberal for me to allow 150,000 at 100 days overtime. That gives the total man-days for which the bonus is to be paid 1,707,923,191. Now, reduce that to a cash basis. The total cash basis, on the assumption that the service of those who served over 110 days was 50 per cent home service—and that is very liberal, because all of the 60-day men are out, and all the 110-day men are out, and there are left very few of those who did not have some foreign service. That gives me \$1,707,923,191, at \$1 a day; and for half that number, 853,961,595, an additional 25 cents a day, \$213,490,399; and that makes a total of \$1,921,413,590.

Senator WALSH of Massachusetts. How many soldiers went to France, Senator Reed?

Senator REED of Pennsylvania. Two million eighty thousand.

Senator WALSH of Massachusetts. What constitutes foreign service?

Mr. McCOR. If they get on the ship and go out of port, that is foreign service. From this 1,921,413,590 I deduct the first 60 days' service of 3,222,068 veterans, or \$193,325,280, leaving \$1,728,088,310 as the cash base or service credit. From this deduct the gross payments to the dependents of those dying amounting to \$98,580,136. This leaves \$1,629,508,174, and to that I add 25 per cent, or \$407,377,044, and that gives a total for all service certificates of \$2,036,885,218, or an average service certificate of \$670.41. Now, the cost of a \$1,000 endowment policy at the age of 32 figures at \$496.62, so that \$670.41 will buy an average endowment policy of \$1,349.95. The total payments by the Government now, that is, the total payments by the Government in actual money, the actual money that the Government must pay out, the total cost to the Government on account of insurance is \$2,036,885,218; and that is the total of all of the service certificates; dividing that by 496.62 thousandths—that is, the cost per thousand of an endowment policy—that would give you the total of all the endowment policies to be issued, \$4,101,530,136. Now, as to the total for the first year. To the dependents of those dying between July 1, 1919, and January 1, 1924, I used the same percentage as used here, and instead of all those dying receiving their full cash base, some of them are getting pensions from the Veterans' Bureau, so instead of \$98,580,136 being paid by the Government, it will be \$35,302,542. This will be paid during the first two and one-half years. The payments to those whose service credit is not in excess of \$50, taking their figures, is \$14,799,470. Now, the administration cost of the war-risk insurance—taking that when it was handling this number—is \$20,000,000 for the first year.

The War Department testified that we would need 2,000 clerks in The Adjutant General's Department the first year; and, as this is divided into so many departments, and independent absolutely, there is a great duplication of work before these certificates are finally sent. So, for the first year the administration will be fully \$20,000,000. Those dying the first year, that is, estimated at 26,151, multiplied by the face of the endowment policy, \$1,500.96, gives \$39,251,805. Those items make a total cost the first year of \$152,601,708. Now, during the next 19 years, the balance of the certificates will mature, and the cost of administration for the 19 years would be about \$152,000,000 and the total cost to the Government would be \$4,358,329,606. That is the actual amount that the Government must pay out.

The proposal in the House bill is for the Government to pay at the beginning of each year for 20 years \$37.94 for each \$1,000 of insurance issued. This \$37.94 per annum, by judicious investment upon the part of the Government, must amount to \$1,000 upon maturity of each certificate because of death or time. That is, although the Government must pay 4½ to 5½ per cent for the money so invested, the investment upon the part of the Government must be made at such a rate as to yield, in addition to the \$2,036,885,218 borrowed or diverted from the retirement of the debt, which will make the cost of this money the same to the Government, an additional amount of about \$2,300,000,000. That is, the Government investment must be turned over at an impossible rate of interest, a rate from 12 to 15 per cent, the average period of investment being

less than 10 years, the premiums being paid yearly, and it will figure between 8 and 9 per cent in addition to the interest paid by the Government on that same money. This estimate, as before stated, is upon the basis used in the report, except as to the average service period.

Senator REED of Pennsylvania. What is the total cost the first year, including administration?

Mr. McCoy. It is about \$100,000,000.

Senator JONES of New Mexico. You do not anticipate that the rate on Government money shall be as great always as it is now?

Mr. McCoy. It will continue at that rate until the twenty billions of bonds now outstanding are very materially reduced.

Senator JONES of New Mexico. We issued some certificates a few days ago at 4 per cent.

Mr. McCoy. That was a short-time certificate. The last bonds that were issued, for only four years, were at 4½. There have been some of these short-term certificates on which we are now paying 5½.

Senator JONES of New Mexico. Were all of them at a premium in the general market?

Mr. McCoy. Yes; according to the morning paper, every one of those certificates is selling at a premium. These short-time certificates are a very fine investment for banks, but not bonds. You see the base with which I started in was to take the actual number of man-days, and then to deduct all the short-time periods.

Senator WALSH of Massachusetts. Why is the difference in the estimates?

Mr. McCoy. Why, you take an insurance company and insure 3,000,000 men and not charge them a penny for it—but you have got to go out and borrow the money at 4½ per cent to pay those men upon maturity of their policies—how can you increase it, when you invest at 4 per cent, enough to more than make up the cost of the premium?

The CHAIRMAN. In other words, if the Government of the United States has money in the Treasury, it could not loan it at all, and the Government has no debts at all.

Mr. McCoy. The estimate of Mr. Brown is based on the assumption that the money is worth nothing to the Government.

Senator McLEAN. But we are going to get this money from the taxes each year.

The CHAIRMAN. In other words, if the Government had this same money, it would stop that amount of future interest?

Senator WATSON. May this gentleman ask a question?

Mr. McCoy. Certainly.

Mr. LEWIS (of the American Legion). On these insurance premiums when you invest them, and these bonds, you say that the Government is out 4½ per cent. If this fund earned 4½ per cent, wouldn't there be a surplus of that much, by that method?

Mr. McCoy. If you take 4½ per cent out of one pocket and put it in another, you haven't anything in the first pocket. It is costing just the same as if they were getting no interest, so at the end of the year the fund in both pockets will be the same.

Mr. LEWIS. The Government appropriates a certain amount for premiums, and it invests it in 4½ per cent Liberty bonds. Isn't it earning that, and wouldn't the interest earn that, and wouldn't the fund be more than sufficient to mature those certificates?

Mr. McCox. Not if you pay 4½ per cent and you invest the same money at that same rate, you do not gain anything.

Mr. Lewis. That is a separate proposition.

Mr. McCox. No; the insurance companies can not figure that way.

Mr. Lewis. If the Government appropriated that money and gave it to the insurance companies for that much insurance, they would do it that way.

Mr. McCox. It would cost the Government the premiums and the interest on the borrowed money also.

Mr. Lewis. What is the difference between appropriating the money and putting it out at interest and giving it to the insurance companies?

Mr. McCox. They simply put the money paid them into a fund which earns a rate of interest; whereas the Government would have to borrow the money and pay interest for it.

Mr. Taylor. There is no interest charged on our appropriation each year.

Mr. McCox. If we could finance our Government that way, we could retire our debt in a very little while by putting it into a retirement fund.

Mr. Hess. They do not charge interest on the money that is appropriated every year, and you say the \$380,000,000 that was appropriated for the Navy Department would in 10 years be \$600,000,000 if you charged interest on it.

Senator WALSH of Massachusetts. That is just the difference. These young men are assuming that money will be appropriated out of the Treasury for this purpose the same as for any other department. We have not any more right to charge interest on that than on the money appropriated for the Army and the Navy, and when we say that the Army is costing so much, should we add interest to that?

Mr. McCox. You can not, for you have not any money to invest.

Senator WALSH of Massachusetts. When we appropriate money out of the tax levy, the money for these certificates should be appropriated the same as any other expense.

Mr. McCox. But you borrow money from a 5 per cent fund and you invest it at 4.

Senator WALSH of Massachusetts. They deny that you are borrowing it.

Mr. McCox. Where are you going to get it?

Senator WALSH of Massachusetts. Out of the tax levy. If you borrow this money, every dollar that is appropriated you borrow. Some of it comes out of the tax levy each year, and if you are putting interest on this appropriation, you have a right to put it on every single dollar that is taken out of the Treasury.

Mr. McCox. Do they take money out of the Treasury to accumulate a fund to meet something 20 years from now? It would be very nice if we could meet all our obligations 20 years from now without any cost to do that, and would not need to pay any interest. The Government borrows money and places it into a fund. This fund must more than double in 20 years. How can it unless the Government pays additional amounts into this fund? No one else will. That is, the Government must pay interest on the funds deposited and in addition more interest into the fund.

Mr. TAYLOR (general counsel of American Legion). You have got the administration expense for the first year at \$20,000,000 and thereafter at \$8,000,000. Where do you get the figures of \$20,000,000?

Mr. McCoy. You take the departments and go on the basis of what it costs the Veterans' Bureau and what it is costing them now, and multiply that by three or four. The Veterans' Bureau will have to do all the work that they can, and they will have to handle all of these, and the Treasury Department will have to handle all of these loans, and it will be a savings bank business with 3,000,000 depositors.

Mr. TAYLOR. The \$20,000,000 is between six and seven dollars per certificate, isn't it?

Mr. McCoy. Something like that. You will have to go all through the record.

Mr. TAYLOR. Do you know how much the War Department estimated?

Mr. McCoy. No.

Mr. TAYLOR. Can we have a representative of the War Department up here who will state exactly how much it is costing them?

The CHAIRMAN. We will take your word for it.

Mr. TAYLOR. They say that it will cost them less than \$1 per man.

Mr. McCoy. Then you will not get it done in two or three years.

Mr. TAYLOR. And that they will get it done in nine months.

Senator WALSH of Massachusetts. When we appropriate money for building hospitals and for building battleships and the money is not spent for two or three years afterwards, do you figure as an expense to the Government any interest on that money?

Mr. McCoy. That money is not paid out of the Treasury until it is actually spent.

Senator WALSH of Massachusetts. It is appropriated and set aside as a fund?

Mr. McCoy. No; it is not set aside.

Senator WALSH of Massachusetts. It is there waiting for the obligations of the contractor to be fulfilled and until the building of the battleship is completed.

Mr. McCoy. It will be paid out of current revenues of the Government.

Senator WALSH of Massachusetts. That is the way this is to be done.

Senator SIMMONS. Your proposition is, at the end of this insurance period, that the Government will have spent how much?

Mr. McCoy. That they will have paid out \$2,300,000,000.

Senator JONES of New Mexico. In other words, it would have cost, considering the fact that we are borrowing money all the time, and the condition of the Treasury, and by reason of our failure to reduce the public debt, it will have cost that much money?

Mr. McCoy. The Treasury must spend that much money. I do not know how they will get it, but they must spend that much money.

Senator JONES of New Mexico. That is the cause of the difference between you and Mr. Brown.

Mr. McCoy. Yes; and the premiums.

The CHAIRMAN. The committee will now stand adjourned until to-morrow morning.

(Thereupon the committee adjourned to meet Wednesday, March 26, 1924, at 10 o'clock a. m.)

WEDNESDAY, MARCH 26, 1924

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

The committee met, at 10 o'clock a. m., pursuant to adjournment on yesterday, Hon. Reed Smoot (chairman) presiding.

Present: Senators Smoot, McLean, Curtis, Reed of Pennsylvania, Ernst, Simmons, Jones of New Mexico, and Harrison.

The CHAIRMAN. The committee will come to order. I understand that Mr. Herbert Hess is to be heard.

STATEMENT OF MR. HERBERT HESS, NEW YORK CITY, N. Y.

The CHAIRMAN. Now, Mr. Hess, will you make your statement?

Mr. HESS. I haven't had very much time. Before I proceed I think I had better qualify myself. I am a member of the American Institute of Accountants and a fellow of the Casualty Actuary Society. I have examined the estimates made by Mr. McCoy and I have made a comparison with the estimates rendered by the Treasury Department to Congressman Piatt Andrew on December 18, 1923.

Mr. McCoy's estimate, the Treasury Department's estimate, as to the total cost of insurance certificates is \$4,560,343,100. Mr. Mellon's estimate to Mr. Piatt Andrew sets off 100 per cent—charges the certificate column with the total operating cost, including an estimate of \$23,000,000 a year for the first 20 years for administration, and that would be \$5,400,526,446. He has included in that figure \$23,000,000 a year for 20 years, or \$460,000,000 for a period of 20 years for administration costs.

That would bring the cost of the certificates to \$4,940,926,044. That is based on a factor of 3.015. That is how the insurance feature was reached. The adjusted service credit was multiplied by 3.015. Under the present bill which you folks are looking at now the adjusted service credit is multiplied by 2.517. Therefore, if we would take Mr. McCoy's estimate of \$4,532,842,566 as a base and bring that up to the 3.015 we would have to multiply Mr. McCoy's estimate of \$4,522,842,566 by 1.198.

What does that bring us to? That brings us to an estimate of \$5,463,288,934, according to the 3.015.

Therefore, according to these estimates that were submitted to you yesterday they are \$522,762,490 greater than was quoted in this Mellon letter to Mr. Piatt Andrew. In other words, since December 18, in figuring out the certificate plan it has been increased over a half billion dollars.

I bring that to your attention to show that not very much reliance can be placed upon these figures, because from Mr. McCoy's own

statement, with which he ends up, he said this estimate has been stated as upon the basis used in the report, and which is somewhat questionable.

Now, I picked out my costs under the old bill and I have reduced my costs into this bill. The adjusted service credit remains the same in both bills. The method of applying a certain factor is the only one that changes. In other words, you had the 3.015 in the Curtis bill. In the present bill it is 2.517.

Now, there is an additional factor besides the Curtis. You will pay in 10 quarterly installments the adjusted service credit to the soldiers who have died since discharge up to the time of application.

The CHAIRMAN. Why not confine yourself now to the estimates made by Mr. McCoy on the House bill and your estimates on the House bill?

Mr. HESS. I am giving my estimates on the House bill.

Senator CURTIS. That is what he is coming to.

The CHAIRMAN. I thought you said the Curtis bill.

Mr. HESS. I made my estimates on the Curtis bill, which is shown in the proceedings of the House. Now, I have reduced my own estimate to the present bill, and I find that during the year 1925 you will pay to those who have served less than 110 days \$14,799,000.

The CHAIRMAN. That is the same as they all give.

Mr. HESS. I have taken that same figure as the Treasury Department and as the Veterans' Bureau. I find that those who have died since its passage, you will pay the first year in 1925, \$24,620,000. Annual pay for those who have certificates, for death \$28,265,000. That brings the total cost during the year 1925, the maximum outlay, to \$67,684,000.

In 1926, the deaths, those who died before this bill becomes operative, you will pay \$24,624,000. You will pay by death under the certificates, \$28,383,000, making a total of \$53,003,000 total cost during 1926.

During 1927 you will pay, in deaths, \$12,311,000 for those who died previous to the enactment of this legislation; you will pay by deaths under the certificate plan, \$28,050,000, or a total cost during 1927 of \$40,812,000.

From this period on the cost is materially reduced, because you will liquidate all the indebtedness to those who died before the enactment of this act, so that in 1928 we find we have just the pure mortality experience deaths, \$28,617,000, and for the years 1929-1944 the following:

1929.....	\$28,814,000
1930.....	29,008,000
1931.....	29,282,000
1932.....	29,555,000
1933.....	29,907,000
1934.....	30,281,000
1935.....	30,688,000
1936.....	31,159,000
1937.....	31,746,000
1938.....	32,371,000
1939.....	33,153,000
1940.....	34,011,000
1941.....	35,029,000
1942.....	36,241,000
1943.....	37,608,000
1944.....	39,136,000

In 1945, the certificates mature, and \$2,652,265,000 will be due, or a total cost over the period of 20 years of \$3,360,350,000.

That is, on the basis that everybody entitled applies and gets their certificates, but if only 80 per cent apply during the year 1925 your mortality would be reduced by 20 per cent. In other words, this is 100 per cent. If 75 per cent apply, it is 75 per cent of this.

We have taken into consideration no reductions whatsoever in this measure.

Senator WATSON. In this calculation, do you count interest on the appropriation each year?

Mr. HESS. I have given you just the bare outline here.

The CHAIRMAN. No administration cost or interest?

Mr. HESS. No.

Senator SIMMONS. Let me ask you, Senator, in estimating for any kind of an appropriation do you always take into consideration the administration cost?

The CHAIRMAN. We have no such thing as administration cost with a payment 20 years hence.

Senator SIMMONS. I think these figures we are getting now and got yesterday greatly clarify the situation that has been created. We have had estimates for the last two or three years with reference to the cost of this adjusted compensation from the Treasury. It has always been about \$5,000,000,000. Now, it is very enlightening to me to know the process by which they reach that high rate. Mr. McCoy's estimate yesterday, Mr. Hess's estimate now, clarify it. It shows that all the time they have been charging against adjusted compensation the interest on the money from the time it is made out until the expiration of the whole scheme. Isn't that so?

Mr. HESS. I am not familiar with the exact details which the Treasury Department used in making their estimates.

The CHAIRMAN. Mr. McCoy's estimate did, but Mr. Hess's did not.

Senator SIMMONS. No; he has not come to that, but that is the basis of this \$5,000,000,000 estimate made by the Treasury Department some time ago and the \$5,000,000,000 estimate made by the Treasury Department now. They not only include the actual amount of money that will have to be paid out by the Treasury, but they consider also the interest that would have to be paid upon that money if it is borrowed. We don't do that as to other things.

Senator WATSON. Or the interest that we pay on the debt that we would pay off with this money.

Mr. MCCOY. No, sir; not a dollar of it.

Senator WATSON. You made a statement yesterday, Mr. McCoy, that we would pay so much and retire bonds and save that much interest if we did not invest it in the bonus.

Mr. MCCOY. There wasn't a dollar's cost on account of interest in any estimate made by the Treasury Department.

Senator WATSON. I understand; but you yesterday said—

Mr. MCCOY (interposing). No, sir; I was not charging a dollar for any interest paid by the Government, but I said that if the Government borrowed the money they would get a rate of interest higher than that at which they borrowed it.

Senator WATSON. You made the further statement that if we derived this money by taxation and did not pay off the Government indebtedness outstanding we ought to pay off the interest.

Mr. McCoy. We would have to pay off the interest on the fund so that it would revolve.

Senator SIMMONS. Didn't you estimate yesterday that the actual money that will be paid out by the Government in the liquidation of this insurance would be a little over \$2,000,000,000?

Mr. McCoy. Not including one dollar of interest paid by the Government.

Senator SIMMONS. There is the money that the Government will actually pay out. Of course, it will—

Mr. McCoy (interposing). The Government will pay out over \$4,000,000,000, not including this other item.

The CHAIRMAN. And your gross amount is what?

Mr. HESS. \$3,760,000,000. In arriving at the increase between December 18, 1923, of a half billion dollars, that increase does not include administration costs at all. This differs entirely. That increase is on the pure cost basis. I want to make that clear.

The CHAIRMAN. Senator Simmons asked if Congress made any appropriation for the administration of any of the activities of the Government. Yes; they make appropriations for every activity of the Government.

Senator SIMMONS. Of course, I didn't mean that. What I mean is this; if you are estimating the cost of a war vessel, you don't include in that the administration cost in connection with that war vessel.

The CHAIRMAN. Certainly.

Senator SIMMONS. And the war vessel is constructed under the War Department.

The CHAIRMAN. If you have to have more employees, we appropriate for them.

Senator SIMMONS. In the particular appropriation for that warship, do you always include in the estimate the pro rata part of the expense that will be incurred by the War Department in that?

Senator WATSON. Oh, no; of course we don't.

The CHAIRMAN. But if it took 2,000 more men or employees to look after the building of the battleship and keep the accounts and all that, we would have to make an appropriation for it.

Senator WATSON. But the War Department is a continuing thing. We appropriate for that constantly, but when you build an additional vessel, all you appropriate is the additional amount to administer that part of the law.

Senator SIMMONS. I recognize, Senator Watson, that if you are going to set up an independent bureau to administer this, that is properly chargeable, but I think the only thing that is properly chargeable is the actual money the Government will have to pay out for this insurance, plus the actual administration cost, if we have to administer it, and I don't think anything else ought to be charged against that estimate, and my understanding is that something else—I can't exactly put my finger on what it is—is included in these estimates.

Senator WATSON. As I understand it, the total cost of this was \$2,000,000,000 and something. You make your total cost \$3,500,000,000 about?

Mr. HESS. One is using the interest tax, or—taking those payments and bringing them as of the present value as of January 1, 1925.

Senator CURTIS. That is based on this date, as I understand it. You said the first year the cost would be—

Mr. HESS. \$67,000,000.

Senator CURTIS. That would leave thirty-odd million dollars that could be loaned out, and the interest on that would be canceled; is that right?

Mr. HESS. My figures are a trifle higher. That is the principal, if you want to create a sinking fund.

Senator CURTIS. The bill provides that you put \$100,000,000 a year into a sinking fund, and the part of that \$100,000,000 that is not used can be invested in the retirement of Government bonds, and it would save that much interest.

Mr. HESS. Of course, I don't know whether the \$100,000,000 is sufficient or not.

The CHAIRMAN. You didn't figure interest in this?

Mr. HESS. No; it is the pure outlay.

The CHAIRMAN. Now, in addition to the \$3,300,000,000, the administration cost has to be added to that?

Mr. HESS. Yes, sir; I will come to that in just a moment.

Senator SIMMONS. That is all I have been driving at. I want this estimate made based on the actual amount the Government will pay out, just as if it had it all in the Treasury and would not have to borrow it, and then add your administration cost to that.

Mr. HESS. In the first place, we are much higher than \$700,000,000 between the Treasury Department's estimate and mine, because the Treasury Department had \$4,856,000,000. From that has to be deducted administration cost of \$187,500,000, which brings the cost down to possibly \$4,600,000,000 and some odd, as the pure outlay, and mine is \$3,364,000,000 or over \$1,300,000,000 difference.

Now, the Treasury Department estimated December 18, 1923, in a letter to Mr. Andrew that the cost to administer this bill would be \$460,000,000, but Mr. McCoy in his estimate for the department states the entire cost would be \$172,000,000, instead of \$460,000,000—less than 40 per cent of the original amount estimated.

The CHAIRMAN. That is for the 19 years?

Mr. HESS. Yes; plus the \$20,000,000 for the first year, which makes \$172,000,000. Now, Mr. McCoy has taken estimates from very old information. In company with Mr. Hollis, of the American Legion, I saw Mr. McCoy. We tried to get his method and basis of figuring before I started on my work, but we were unsuccessful, because there were other matters the Treasury Department had up at that time and Mr. McCoy would not give it to us unless Mr. Winston agreed to it. But I mentioned to Mr. McCoy while I was there certain inaccuracies in the statement published in the McCumber report. I called attention to the fact that the man-days stated in the McCumber report were as of July 31, 1919. I then obtained results from the Army which showed the amount of men who served in the Army and enlisted was at entire variance with the number shown in the McCumber report.

I have gotten the actual results based on the actual enlistment papers, which show that there were 3,892,448 men who enlisted in the service, and this figure includes 69,000 officers who were commissioned from the ranks, and this estimate is dated December 25, 1923.

Senator WATSON. Where did you get it?

Mr. HESS. The War Department. This was furnished the different States for bonus purposes.

The CHAIRMAN. What number of enlisted men do you claim are entitled to the bonus?

Mr. HESS. I haven't figured out the number of men entitled to the bonus.

The CHAIRMAN. You arrived at this—

Mr. HESS. From the man-day proposition. That is the basis.

The CHAIRMAN. Well, you would have to have the number to arrive even at that, as to the actual cost.

Mr. HESS. To a limited degree, but my basis was the man-days.

The CHAIRMAN. I think your basis is different from the others.

Mr. HESS. My figure as to the number entitled to it, June 30, 1919—that would include everyone who served 60 days or more—is 4,114,978.

The CHAIRMAN. Now, there is a difference there of 362,000.

Mr. HESS. Yes.

Senator JONES of New Mexico. Does that include the Navy?

Mr. HESS. Yes, sir.

The CHAIRMAN. There is that difference between your figures and Mr. McCoy's. This includes the Army, the Navy, and the Marine Corps.

Senator WATSON. I don't see how you can get the figure as to the man-days until you know the number of men.

Mr. HESS. The first thing you must find out is the number of man-days service. Finding out that, we have to determine the number of men who contributed to those man-days, and after making certain eliminations for those who served less than 60 days, we arrive at the total number of man-days which is applicable to this law, and then we divide that total number of man-days by the number who contributed to the man-days and that would give us an average of 3,250,000.

Senator WATSON. You have to know the number after all?

Mr. HESS. Yes; but I can not tell you how many men were going to get \$1 or \$50.

The CHAIRMAN. Mr. McCoy takes his figure as the total number entitled to the bonus as 4,477,412, and he takes that from the Navy and war records. Mr. McCoy advises me now that he takes the number of men entitled to the bonus from Mr. Brown's statement.

Mr. HESS. In the McCumber report they state the number entitled as 4,458,199, and Mr. McCoy's estimate is 4,477,412; but if you will analyze the number of men who have enlisted in the service you will notice that it was 4,460,000, plus about 150,000 for officers, which would bring the total to 4,000,000 and some odd thousand men, which is a difference there of something like 500,000 men.

The CHAIRMAN. Will you tell the committee at this time, now, what your estimate is, what your actual cost to the Government is, including the administrative features? Now, you have given the actual cost at \$3,300,000,000 and some odd. What, in your opinion, would be the administrative features? I want to get at that amount, and then we can discuss the question as to how you arrived at it.

Senator SIMMONS. The money the Government is to pay out?

Mr. HESS. Yes.

Senator JONES of New Mexico. It seems to me that these estimates could be separated and we could have the actual cost without the administrative.

The CHAIRMAN. We have that. What was the amount?

Mr. HESS. \$3,360,350,000.

Senator JONES of New Mexico. Now, if you were to divide that into an annual payment through the creation of a sinking fund and invest that sinking fund, how much actual outlay would it be a year?

The CHAIRMAN. You have given the payments.

Mr. HESS. \$120,602,000. That is 4 per cent.

The CHAIRMAN. That would amount to—

Mr. HESS. Annual contributions by the Government.

Senator SIMMONS. For 20 years?

Mr. HESS. Twenty years.

Senator SIMMONS. \$160,000,000?

Mr. HESS. \$120,602,000.

Senator JONES of New Mexico. That would make a total for 20 years of how much?

Mr. HESS. \$2,412,040,000.

Senator JONES of New Mexico. What is the cause of the difference between your figures and Mr. Brown's? He said that \$102,000,000 annually would cover it.

Mr. HESS. Of course, I can't tell you the reason for the difference.

Senator JONES of New Mexico. Have you examined Mr. Brown's estimates?

Mr. HESS. I have examined his estimate, but I haven't gone under the surface of that estimate.

Senator JONES of New Mexico. Then, really, you have not made a thorough analysis of it?

Mr. HESS. I made a thorough analysis of what the cost of the bill would be.

Senator JONES of New Mexico. I mean did you make a thorough analysis of Mr. Brown's estimate so as to ascertain the cause of the difference?

Mr. HESS. Well, the difference between Mr. Brown's figure and mine is not of such wide divergence.

Senator JONES of New Mexico. It amounts to about \$18,000,000 a year for 20 years.

Mr. HESS. That would represent 15 per cent of my figure.

Senator JONES of New Mexico. The difference must come here either in the estimate of the number of man-days or something of that sort.

Mr. HESS. I would rather not discuss that, because I can not state offhand exactly how Mr. Brown arrived at it, but I noticed Mr. Brown's figures and it seemed reasonable. I think the fact is he used different data than I did. I got later information than Mr. Brown. I got information as of December 25, 1923, from the War Department.

Senator JONES of New Mexico. As to the number of men?

Mr. HESS. Yes; and that, of course, has a tremendous bearing on the situation.

Senator JONES of New Mexico. I can quite understand that. That is what I wanted to know. Does the difference arise between the accepted number of men by you and a different number accepted by Mr. Brown in his calculation?

Mr. HESS. I believe that is one of the main differences.

Senator WATSON. Take, for instance, the first year. In the first year of the operation of this law you spend \$120,000,000, do you?

Mr. HESS. No.

Senator WATSON. How much the first year is it necessary for Congress to appropriate?

Mr. HESS. \$14,799,000 for those serving under 110 days.

Senator WATSON. That covers the whole cost of the first year?

Mr. HESS. For those serving under 110 days.

Senator WATSON. Then, what does cover it?

Mr. HESS. \$24,620,000 for those who died after the enactment of this legislation after discharge; \$28,265,000 for deaths under the certificate. The total outlay to veterans or their dependents will be \$67,684,000.

Senator WATSON. The first year?

Mr. HESS. The first year.

Senator WATSON. Plus how much for administration the first year?

Mr. HESS. That is a very difficult question to answer, because I am not familiar with the plan of operation of the Veterans' Bureau or the War Department, but I should judge from my experience that the maximum cost to issue a certificate would be between \$1 and \$1.50, so that \$6,000,000 would be the outside.

Mr. BROWN. The Legion felt it would probably be best to call the department heads involved and let them tell.

The CHAIRMAN. So that your estimate there can go into the record as compared with Mr. McCoy. Let me call the committee's attention to these various items now and the difference. For instance, in Mr. McCoy's estimate, the first year, the dependents of those dying July 1, 1919, to January 1, 1924, \$78,550,633. What was yours, Mr. Hess?

Mr. HESS. Mine was \$24,620,000 the first year.

The CHAIRMAN. There is over \$50,000,000 difference?

Mr. HESS. Yes, sir; may I interrupt there just a moment? Mr. McCoy in his estimate shows \$109,607,517 as the total to dependents dying between July 1, 1919, and January 1, 1924, and that on the basis of 10 per cent, \$4,000,000 during 1923 would be something like forty-three million eight hundred thousand and some odd dollars. How is the \$78,000,000 arrived at when here are his own figures of \$43,000,000?

Mr. McCoy. The \$109,000,000 was not the amount the Government would have to pay. It was the amount of cash, if all who died were entitled to the payment, but they were not all entitled, so that \$109,000,000 was reduced to \$70,000,000 and some, and that was the payment on account of dependents. The bill says it shall be spread over quarterly payments, and of course it would not all be in the first year.

Mr. HESS. You have got it all in the first year.

Mr. McCoy. Yes.

Mr. HESS. Then, we are not so far apart, because I have a total of \$61,000,000 and you have \$78,000,000.

The CHAIRMAN. Then, your payment for those whose service credit is not in excess of \$50 is exactly the same as Mr. McCoy's?

Mr. HESS. Yes, I have accepted those figures.

The CHAIRMAN. Dying the first year, \$39,251,000.

Mr. HESS. I have \$28,265,000.

The CHAIRMAN. And he figures it at \$1,500.

Mr. HESS. \$1,500,000 odd.

The CHAIRMAN. \$1,500 to each man. That is the certificate value.

Mr. HESS. \$1,000, how much?

The CHAIRMAN. \$1,500.

Mr. HESS. \$1,500?

The CHAIRMAN. Yes, and that makes \$30,251,605.

Senator WATSON. Mr. Chairman, of course, we can go on and analyze here and dissect and put together and by a process of analysis we might come to some sort of conclusion, but why can't McCoy and Hess and our friend here just get together and go all over these figures and find out where they disagree and where they differ, and see if they can not come to some common basis of conclusion. We are not experts, and when the ordinary fellow falls among experts he is worse than the fellow that was on his way that we read about. I don't know that we can arrive at any conclusion here with this great diversity of opinion about these expenses.

Senator SIMMONS. Senator Watson, I don't dispute Mr. McCoy's estimates on the basis that he makes them. I believe they are probably reasonably accurate.

Senator WATSON. There is no doubt about that.

Senator SIMMONS. I would like to have Mr. Hess, if he can, to point out his explanation as to what brings about this diversity, this large difference, between Mr. McCoy's estimates and his estimates.

Senator JONES of New Mexico. And I would like Mr. Brown's statement to be subject to the same examination.

Senator SIMMONS. If he can tell us where the diversity begins and what causes it.

Senator WATSON. Mr. Lewis says if you let him make a statement he thinks he can clarify the difference.

Senator SIMMONS. Then, it will be a question whether we shall take into consideration in making our estimate these different bases upon which Mr. McCoy reaches the different results.

STATEMENT OF MR. EDWARD McE. LEWIS, OF THE NATIONAL LEGISLATIVE COMMITTEE OF THE AMERICAN LEGION

Mr. LEWIS. Gentlemen, as you know, I am with the American Legion, with their legislative committee, and I have had the privilege of discussing this matter somewhat with Mr. McCoy in the past and with Mr. Hess and with Mr. Brown also, and I think I understand perhaps what the fundamental difference is to cause this great divergence in the figures, and I think it is something like this: That Mr. Brown made his estimates on the basis of a certain appropriation each year which he understood would finally mature all of these certificates at their maturity, and in the meantime care for the annual mortality that occurs among the men. Mr. McCoy, on the other hand, assumed that the Government had no right to credit that annual appropriation with interest and that interest amounted approximately to the same sum that the total of the annual appropriations would, so therefore Mr. McCoy gets a figure which is about double the figure of Mr. Brown.

The CHAIRMAN. So that I can understand it—that is a very vital point—

Senator SIMMONS. Yes; it is.

The CHAIRMAN. Do I understand you to say that Mr. McCoy took the amount of the appropriation for deaths, the first year—

Mr. LEWIS. Yes, sir.

The CHAIRMAN. Amounting to between \$40,000,000 and \$50,000,000 and he allowed no interest on that amount of money?

Mr. LEWIS. No, sir; that was not the point I wanted to make.

The CHAIRMAN. Just explain it, because here is a vital point.

Mr. LEWIS. I think all the actuaries are agreed approximately on the annual mortality that will occur during the 20 years. Those are all fixed by definite mortality tables and those will not vary greatly. It was on the question as to the fund to be set aside to mature these certificates at the end of 20 years where the great divergence lies, and the main point on that was whether that annual appropriation to mature the certificates would be entitled to earn interest as is ordinarily done by the insurance companies or whether it should not be entitled to earn interest. Mr. McCoy claims it would not be allowed to earn interest. Mr. Brown for the Veterans' Bureau claims it should be entitled to earn interest, and he has, I believe, to carry out that theory the Government life insurance fund, which is a converted insurance fund, converted from the war risk term policies. They now have a fund of approximately \$100,000,000 set aside, and if I understand correctly they are in the care of the Treasury Department, which is to mature those policies at the proper time, and Mr. Brown, as I understand it, contemplated that this adjusted compensation bill would create a similar fund to which appropriations would be made each year, and that those appropriations would be invested in interest-bearing securities and that the sum total of those annual appropriations earning interest would, at the time of the maturity of the certificates, mature the certificates according to existing life insurance principles.

The CHAIRMAN. The Treasury of the United States has not got any \$100,000,000 in it set aside and held there for that purpose.

Mr. LEWIS. It has not?

The CHAIRMAN. Not for that purpose.

Mr. LEWIS. For the United States Government life insurance?

The CHAIRMAN. They may have a credit there.

Mr. LEWIS. I saw a statement yesterday, and Mr. Brown could give direct testimony, showing there was something in excess of \$100,000,000 invested in Liberty bonds to the credit of the United States Government life insurance fund.

Mr. BROWN. That is correct.

The CHAIRMAN. There may be investments, but I thought you said the cash. They have their own bonds. They have their own bonds purchased and are holding them as security.

Senator WATSON. For that purpose?

Mr. LEWIS. It is a fund set aside.

The CHAIRMAN. What I was getting at is this; whenever, a payment is required the Government of the United States has got to raise the money.

Mr. LEWIS. What payment?

The CHAIRMAN. A payment in case of death.

Mr. LEWIS. The mortality payment?

The CHAIRMAN. Yes.

Mr. LEWIS. I think they are all agreed as to what those will be? They will run approximately \$25,000,000 to \$30,000,000 a year. That is not a big thing.

The CHAIRMAN. But if it is a 20-year endowment policy, at the end of 20 years they will have paid it all.

Mr. LEWIS. You mean at the maturity?

The CHAIRMAN. Yes.

Mr. LEWIS. That fund is to retire them at maturity.

The CHAIRMAN. What I am getting at is this: They have their own securities. They can not pay their own securities, so they will have at that time to raise money from some other source. In the meantime they are stopping the interest on their own securities, and I said that they had no money in the Treasury of the United States for that purpose.

Mr. LEWIS. You are dividing that sum into two parts. One is the appropriation made to pay the mortality, the deaths occurring during the year; the other is to purchase securities to stay in this fund.

Mr. Brown in his calculation of \$102,000,000, if I understand it, included both those sums—the sum to pay the current mortality for the year and the sum to purchase interest-bearing securities which would be set aside and which would mature the policies at the end of 20 years.

Senator JONES of New Mexico. We might as well say that the \$400,000,000 a year which we appropriate for the War Department is going to cost the Government something like twice that amount because it will be 20 years before we reduce the indebtedness of the Government to a point where we are not paying out any interest, but it is a question here with respect to this transaction just the same as it is with the appropriation for the War Department; if we appropriate \$120,000,000 a year for 20 years, we will pay this debt, if the fund is invested in Government bonds, for instance.

Mr. LEWIS. Certainly. That is an administrative matter.

Senator SIMMONS. I saw a statement here the other day about the cash payment.

The CHAIRMAN. Mr. McCoy, you say you can explain this in a few minutes? If you can, do it now.

Senator WATSON. And explain also what is the difference between them. Let us have it.

Mr. MCCOY. The figures that I presented yesterday were not my estimates whatever. They were simply Mr. Brown's estimates revised. Every assumption that was made by Mr. Brown I adopted with the exception of the man-days. The principal difference is I was asked what would the Government have to pay. The Government would have to pay these annual appropriations into the sinking fund. It would also have to pay into the sinking fund itself the interest and if it didn't pay the interest the sinking fund would not grow, so that the Government itself would pay the principal and the interest. In an appropriation the Government does not need to pay any interest whatever, but it must pay the interest on these annual appropriations into the fund out of its own pocket, and if it don't the fund will not grow.

Mr. LEWIS. If your sinking fund were invested in interest-bearing securities, where would the Government have to pay the interest? Wouldn't some outsider, generally, have to pay it?

Mr. McCoy. I doubt whether it is legal for the Government to invest in anything except Government bonds.

Mr. LEWIS. I know, but this bill has not become a law yet, so that securities in which they may invest have not been determined yet.

Mr. McCoy. If the Government, instead of paying the interest into the fund itself, gets outside securities, it will have to pay the interest on the outside securities, indirectly. It has to borrow money to buy those securities with.

The CHAIRMAN. If they don't get that money by taxation and put it into that fund, could they reduce the Government debt?

Senator WATSON. Certainly.

Mr. McCoy. And there is your interest. You can't get away from paying the interest on that fund.

Senator WATSON. As long as we are in debt.

Mr. McCoy. And we will be in debt for 50 years.

Mr. BROWN. May I say a word at this point? You are interested in knowing the differences between Mr. McCoy's estimate and the estimate which I prepared. He said he used my figures but revised them. He didn't use my figures, because he takes 398 days as the average man-days. That was taken from an old report, which, in my remarks yesterday, the very first thing, I said that I had found that figure and tried to verify it and found it was absolutely erroneous and rejected it and would not use it. That can be proved by taking the same report and taking the total number of man-days stated in that report and dividing it by the total number of men who served and it will not produce 398. It produces 328.18.

The CHAIRMAN. Can you tell the committee now how you found that figure erroneous?

Mr. BROWN. I have just explained, by dividing the total number of man-days in that same report by the total number of men entitled, stated in that same report. That operation did not produce 398.

The CHAIRMAN. I would like to have the committee understand now which is right and which is wrong, and how you arrived at the right one in your mind.

Mr. BROWN. I arrived at the right one by verifying with the War Department the total number of man-days.

The CHAIRMAN. Instead of the total number of men?

Mr. BROWN. Well, both, the total number of men and total number of man-days.

The CHAIRMAN. But your first report was one number and you say you found it erroneous. How did you find it erroneous?

Mr. BROWN. When I tested it. I knew that it must produce the result if I divided those two figures, and when it did not produce that same result then I went to the War Department to verify the figures and found that the man-days were correct and the other was not. That is one point. The other point is that in making deductions, the deductions are assumptions rather than based on correct figures and much too small, and too much in the addition.

The CHAIRMAN. You said you went to the War Department?

Mr. BROWN. I did.

The CHAIRMAN. Did you go to the Navy?

Mr. BROWN. I did not. The CHAIRMAN. Did you go to the marines? Mr. BROWN. I did not. The CHAIRMAN. Then, you didn't make a very thorough examination.

Mr. BROWN. I have found the figures the marines furnished me are correct and I can rely on them. Senator McLEAN. I want to ask Mr. McCoy a question. Suppose it takes, in round numbers, \$40,000,000 a year to pay the current obligations arising under this bill, but the Congress appropriates \$100,000,000.

The CHAIRMAN. \$120,000,000.

Senator McLEAN. Well, we will say \$100,000,000. It takes the \$60,000,000 that is not appropriated and buys Government bonds. Senator JONES of New Mexico. Or buys bonds of New York State, for instance.

Senator McLEAN. No, no; assuming we can not do that. Suppose it buys Government bonds, \$60,000,000. Now, at the end of the 20-year period will you not have reduced your total national debt to the amount required to meet these maturing policies?

Mr. McCoy. No; you will only reduce the principal. You will reduce the figures that I gave you; not the interest on it. You will reduce the national debt by the principal you pay, but you have got to take the interest and accumulate it and roll it around and reinvest that every year.

Senator McLEAN. I know, but the Government does not pay the interest on these bonds that it buys.

Mr. McCoy. The Government does pay the interest on the bonds. The Government pays it in the fund.

The CHAIRMAN. Senator, this is the question—when the 20 years comes around—

Senator McLEAN (interposing). But, the Government is saving every year that amount of interest on the bonds.

The CHAIRMAN. For instance, let it purchase, not Government bonds, but other bonds. Then at the end of that time, the Government has its own bonds. It can't get the money, so it has got to raise the money at the end of the time to pay the principal somewhere. They will have to issue more bonds, or either have the cash to pay it.

Senator McLEAN. Then, you leave the Government all out of consideration, if you get outside bonds, and this is a separate transaction.

The CHAIRMAN (interposing). I know, Senator, but so far as the end of the 20 years, when the insurance policies fall due, they have paid all the deaths up to that time and they have got their own funds here to pay the cost of the insurance, but they haven't got the money, so they have to get the money somewhere.

Mr. HESS. They would have to sell their own bonds as they purchased each year from the appropriation.

The CHAIRMAN. Certainly, they would have to do it. There is no way out of it.

Mr. HESS. But they would have those bonds in the fund.

The CHAIRMAN. They would have bonds that have been issued not for that purpose, of course, but when it came they wouldn't have the

money on hand to pay it and they would have to sell Government bonds to pay it when the 20-year period elapsed.

Mr. HESS. They will have to sell those bonds in the fund. If they are limited to investment in Government bonds, yes. In the bill you might allow them to invest in Philippine bonds or Cuban bonds.

The CHAIRMAN. But whatever bonds they do purchase in the meantime, they would have to sell on the market again in order to pay the insurance policies.

Senator WATSON. I come back to my original proposition, that you get these fellows to try to reach some basis.

Senator SIMMONS. I was talking to Senator Copeland a few days ago with reference to cash payments, and we had certain statements there which showed the Government would have to pay out about \$1,500,000,000, but it was estimated that the Government would have to borrow that money and issue bonds for it, and that the ultimate cost would be practically double that.

The CHAIRMAN. Before it was paid?

Senator SIMMONS. Yes, yes; it would be \$3,000,000,000.

The CHAIRMAN. There isn't any doubt about that, Senator.

Senator SIMMONS. The trouble here comes from the fact that the Government hasn't got the money and has to borrow it.

Senator WATSON. That is the trouble exactly. If we had a surplus in the Treasury there would be a different proposition presented.

The CHAIRMAN. So they take this money appropriated by Congress, \$60,000,000 a year over and above paying the debt, and they buy their own bonds. At the end of 20 years when the policy comes due they haven't got any cash on hand to pay it. They have to sell those bonds already purchased or else issue a new issue of bonds.

Senator SIMMONS. What I want to get at is what the Government would actually have to pay.

Senator WATSON. How much will it cost?

Senator SIMMONS. What will the Government actually pay to the soldiers? That is, what is this thing going to cost us, and because we have to borrow the money it is going to cost us so much more.

Senator WATSON. The question that concerns the committee is to formulate a revenue bill to meet that additional expenditure, and in order to do that intelligently we have to know how much?

Senator SIMMONS. How much is the soldier going to get? How much are we actually going to pay the soldiers? I understand we are going to actually pay the soldiers something over \$2,000,000,000.

Mr. HESS. \$3,300,000,000 and some odd.

Senator SIMMONS. That is what we are actually going to pay them?

Mr. HESS. Yes.

Senator SIMMONS. And the balance of this cost grows out of the fact that the Government hasn't the money to pay it and has to go out in the open market and borrow it.

Mr. McCoy. Plus the administrative feature.

Senator JONES of New Mexico. It seems to me that there are just one or two things to consider; whether we will appropriate money from year to year and pay off these obligations as they accrue, or whether we shall borrow money now or pay it out all at once to the soldiers in cash.

Mr. HESS. I figure out that the adjusted service credit would be \$1,319,519,000 cash.

Senator JONES of New Mexico. It is a question whether we borrow the money and pay that off or pay the other bills as they accrue.

Senator SIMMONS. We have the same thing now with reference to the cost of the war. In the war we paid out, we will say, \$20,000,000,000 for the war, but before we finish paying that \$20,000,000,000 we borrowed we will have paid out \$35,000,000,000 or \$40,000,000,000.

Senator McLEAN. In other words, if you have to get your money from the people in taxes it don't make so much difference what system you adopt.

Mr. CURTIS. Why can't we finish this by calling in the expert from the War Department to see what this handling cost is going to be?

Mr. McCoy. It is not only the War Department. The War Department testified before this committee that there would be 2,000 men needed.

Senator JONES of New Mexico. Find out how much it would cost to take this plan, and how much to pay it in cash.

Mr. BUTLER. We will have the representatives of the War Department and the Navy here.

Senator JONES of New Mexico. It would cost \$1,358,000,000.

Senator CURTIS. If you paid cash?

Senator McLEAN. Well, now, that is all right, but suppose we issue a 30-year bond and have to pay interest on the bond?

Senator JONES of New Mexico. That is because we haven't the cash.

Senator McLEAN. Then, how much is it going to cost?

Senator JONES of New Mexico. That is what we want to know.

The CHAIRMAN. Well, we can get nothing further from these gentlemen, so we might as well go on with the administrative features of this bill.

(Whereupon, at 11.45 o'clock a. m., the committee went into executive session.)

THURSDAY, MARCH 27, 1924

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

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10 o'clock a. m., Hon. Reed Smoot (chairman) presiding.

Present: Senators Smoot, McLean, Watson, Reed of Pennsylvania, Elkins, Stanfield, Simmons, Jones of New Mexico, and King.

The CHAIRMAN. The committee will come to order. Major Smith, we will hear you now.

**STATEMENT OF MAJ. JOHN M. SMITH, OF THE ADJUTANT
GENERAL'S DEPARTMENT, UNITED STATES ARMY**

The CHAIRMAN. The committee would like to hear from you, Major, as to the actual number of men that were in the Army during the World War that are entitled to a bonus under the bill that we have under consideration.

Major SMITH. Senator, that could only be computed by actually going through the records. The records of the men who served in the Army during the war are filed individually and alphabetically. There has been no computation made as to the number of days of service or of the exceptions that are provided for the different statuses of individuals that exempt them from compensation. Such an undertaking would cost from an administrative standpoint very nearly the same as it will should this legislation be enacted in taking from these records an actual accounting of the number of days with the exceptions.

The CHAIRMAN. Major, do you mean to say that the War Department does not know how many men served over 110 days?

Major SMITH. No, sir; it knows the total number of men who were drafted and the total number of men who served. It knows the total number of men who were discharged and how they were separated from the service, but as to computing the actual number of days of service, Senator, that would be a very elaborate administrative task.

The CHAIRMAN. So any figures that have been used at any time are estimated figures, and not actual figures?

Major SMITH. They must be estimated; yes, sir. Accurate information can only be arrived at, you can see, by taking each man's record out of the files of the estimated about five million and a quarter men. I do not recall the exact figures. I can send those up to the committee from the World War records, the latest available figures we have.

When we performed the work of furnishing the statements of service to the adjutants general of the several States under the appropriation provided by Congress for that purpose, we took from them, so far as we could, statistical information which I can furnish the committee, which is the most accurate information with regard to the Army World War personnel that is obtainable to-day.

The CHAIRMAN. We would like to have you put it in the record right now.

Major SMITH. I will have to send that up, Senator. I have not it, sir.

The CHAIRMAN. Then I would like to have space in the record reserved for that statement that will be sent to the committee by Major Smith.

Major SMITH. I think in the other hearings that have gone before—I have not been before any of the committees before—my position in the War Department for a year and a half was in charge of the World War records; I had charge of that division during the time that the cards were completed for the records of the State adjutants general. That work is now virtually completed, and the figures, as I say, will be more correct than any that have been given previously.

Senator KING. How many actually were on the battle fields—took part in the battles?

Major SMITH. That I can not give you offhand.

Senator McLEAN. How long will it take you to get this information; how long before we can have it?

Senator REED of Pennsylvania. One million four hundred thousand.

Major SMITH. As to the number of days, Senator, days of service and exceptions, that can not be furnished, but this other I can probably give you by this afternoon, sir.

The CHAIRMAN. What we would like to have, Major, we would like to get all the detailed information that it is possible for the War Department to give. You know what we are trying to arrive at.

Major SMITH. Absolutely, sir.

The CHAIRMAN. We want your best judgment where the actual figures can not be given. You expressed your opinion as to the number involved.

Major SMITH. I shall do it, sir.

Senator KING. Mr. Chairman, I would like the Major, while he is getting that information, to show how many never left the United States, and how many just remained in England, how many remained in France back from the battle line, how many actually engaged in contests or took part in combats.

Major SMITH. Senator, the records will disclose the men who served overseas and those who served at home. I can give you a very accurate figure on that. As to the number of men who went into battle, we possibly could give you an estimate by taking the strengths of the organizations, the approximate strength of the organizations, that were in action; but of course that figure will be affected by the number of replacements that were sent in and out of the lines to replace men who were evacuated or wounded or killed.

Senator REED of Pennsylvania. The general record of the number of service bars issued?

Major SMITH. No, sir; the service bars were issued by regimental orders. The men got those without any concentrated ordering. We got a copy of the order, not for the service bars, but of the men who were wounded. We have a copy of all the orders that were issued on them, but that has never been collated.

Senator REED of Pennsylvania. You never made a collation of the number of individuals to whom service bars were given?

Major SMITH. No, sir; but that information, as I understand it, about the service bars, means the difference between the overseas bars and the domestic bars.

Senator REED of Pennsylvania. No, sir; indicating the sector in which the man was engaged.

Major SMITH. The only place that that would be available would be the quartermaster depot in Philadelphia which issued the Victory medals. The latest information I have on Victory medals was that there has been issued in the neighborhood of 2,000,000—

Senator REED of Pennsylvania. I do not mean the service stripes, but the service records.

Major SMITH. You mean the Victory medals?

Senator REED of Pennsylvania. That is what I mean.

Major SMITH. That is what I say. On June 30 last year I think there had been only 2,100,000 Victory medals issued, so that any estimate—we could probably get an estimate by taking that number, the number of battle clasps that have been issued, and then by taking the totals and the percentage of men overseas. That estimate would not be very accurate, sir.

Senator REED of Pennsylvania. Well, then, if that would not, the discharges all show battle service.

Major SMITH. Yes, sir; do not misunderstand me there. By the records of all the individuals who served in the World War we can tell you anything with regard to any individual.

Senator REED of Pennsylvania. But nobody has ever collated it?

Major SMITH. No, sir; we have never had the personnel nor the funds covering the expense involved in going through the records and making a complete statistical review of the Army.

Senator KING. You might take the Civil War. As I recall it, the final completion of their records occurred about last year.

Major SMITH. Mr. O'Brien, is that so?

Mr. O'BRIEN. So far as the statistics were concerned, they were practically completed in 1890. General Ainsworth completed them.

Major SMITH. I can picture the amount of the task by stating that the individual records of men who served during the World War occupy 8,000 four-drawer steel filing cases. That is the primary record. The secondary record, the records of organizations, regiments, divisions, and the medical records occupy in the neighborhood of 11,000 filing cases. So that the records of the World War, which we estimate to be about 161,000,000 papers, occupy a building covering a half a block of three floors. That is a problem that confronts us in furnishing any accurate information; that is, exact information from the records, and you can see the job that confronts us.

Senator WATSON. How long would it take you to do it, and how many men would it take?

Major SMITH. It would take about the same amount of men and the same time as the administration of this act would.

Senator WATSON. That is what I mean.

Major SMITH. We estimate 2,269 people nine months.

Senator WATSON. That is a big job.

The CHAIRMAN. Two thousand two hundred sixty and what?

Major SMITH. 2,269 people nine months, sir. That estimate is based upon our experience, for instance, from the cases of those men who receive compensation or apply for compensation at the Veterans' Bureau. We have had continually to furnish the records of those men to the Veterans' Bureau. The statement of service cards furnished the adjutants general of the several States also form a basis for estimation. I suppose that the Senators are familiar with that. Each State received a card covering the service, the essential points of service, of every individual from that State who served. That work took approximately the same amount of work as this.

Senator WATSON. Did you estimate the cost?

Major SMITH. Yes, sir.

Senator WATSON. What would it cost?

Major SMITH. For clerical hire \$2,771,100.

Senator WATSON. That is for these 2,269 men?

Major SMITH. Yes, sir.

Senator WATSON. And how about your per diem you figure for each man?

Major SMITH. It is based, Senator, on the present classification system; that is, according to the classification that is set up in the classification act according to the work that each of them performs.

Senator WATSON. Have you the space for them to work in?

Major SMITH. Yes, sir.

Senator WATSON. You have the room?

Major SMITH. A room is now there.

Senator STANFIELD. Is it the maximum number of men that could work successfully?

Major SMITH. Yes, sir; as I said before, the files that we work on—that is, this work for the bonus bill, or the work for the statistics that you want—is centralized around 8,000 filing cases. Now, in order that the clerks in going in and out of the file cases do not stop each other from working or delaying the proceeding, we figure the maximum at 2,269; that is an actual estimate of the maximum number that we can operate so that there will be no loss of time or labor on the part of the clerks, and an absolute control so that we can operate with a minimum cost.

The CHAIRMAN. You say you have the space for these clerks to work in?

Major SMITH. Yes, sir.

The CHAIRMAN. Kindly let me know what it is.

Major SMITH. Yes, sir.

The CHAIRMAN. No; tell me now.

Major SMITH. In building E. We expect to provide for the—I will have to ask for the movement of certain records from that building, sir, and I do not know when that can be done and those can be moved. I think the Senator had some information on that about two years ago.

The CHAIRMAN. I want to find all the space I can.

Major SMITH: Two years ago, Senator, you were asked for certain space in building F, I think, in about April, 1922. Probably you do not recall it.

The CHAIRMAN: Yes.

Major SMITH: But we then asked for the space to move certain of these records that are down there out so that we could proceed.

The CHAIRMAN: Of course, I thought I could get an archives put in for you before this so as to take care of these records. I can make the cost of the archives in one year in order to get space to use here for clerks that we are paying \$1.80 a square foot for to property owners in the District of Columbia. Then all we would have to do would be to take these files and put them in the archives and save that space and all that amounts to for every square foot. I can not get Congress to act.

Senator KING: I thought that we appropriated a very large sum for clerk hire immediately following the war for the purpose of looking after these records. My recollection is that we gave several millions of dollars for that purpose. I supposed that you had all this information now.

Major SMITH: Senator, if I may explain: There were two classes of work. One was the assembling of the draft board records in Washington; that is, the records of the draft boards from all over the country, which were shipped here by carloads. Those were sent to Washington Barracks, and those have now been set up so that you can get information from them. You can imagine every small local board all over the country keeping their records by different methods. The money was spent for that and for furnishing to the adjutants general of the several States the statement of service cards.

Senator REED of Pennsylvania: You keep a carbon copy of those records that were made in the States?

Major SMITH: Statistics from them and other statistics form the basis for estimates I am going to send to the committee. The statistics from the cards are those we could anticipate and at the same time not delay sending the cards to the States.

Senator REED of Pennsylvania: Will that work be of any assistance to you in getting out the service statistics under this bonus law?

Major SMITH: Not in the future; it has in the past, sir. When we went through the records for the statement of service cards, those individual records which were not complete were laid aside. I did not have any connection with the work at that time, but in 1922 Congress appropriated a sufficient amount of money—I think it was \$240,000—to complete those incomplete records. All of them were very incomplete, involving extended searches and going into the records all over the country, to the General Accounting Office in some cases, and to the different divisional records, the selective draft records, and such as that. We have reduced those incomplete records now to approximately 8,000. Those 8,000 are not of 8,000 individuals, for there are a good many cases, particularly of men with foreign names, where you will find several records all pertaining to the same man.

Senator REED of Pennsylvania: Two thousand two hundred and sixty-nine clerks during nine months; about 270 days?

Major SMITH: You have to figure 25 days to a month; that is, leaving out the Sundays. Then you have to figure about 12 per cent that fall within the normal leave and sickness absences.

Senator REED of Pennsylvania. How many cases per day per man?

Major SMITH: I had better explain it this way, sir. I am talking about the adjusted compensation bill now. We figure that it will take about nine months to perform this work. All the clerks we have to obtain for this work know nothing whatever of the records. The information that we give from those records for this work must be accurate, because upon the information that we give depends the amount of money that the Government is going to spend. It means dollars.

We have to school those clerks. It is in the bill that we can utilize other clerks, preferably veterans, up until the time that we can obtain the civil-service people—we figure that it will take one month to obtain them and school them; to get the forms printed and all the preparatory work for that will take two months, and to get the applications out to the individuals so that they can submit them. We estimate that two months will be used in that.

Senator WATSON. You do not expect to get 2,269 men from the other departments now, do you?

Major SMITH. No, sir.

Senator WATSON. You have to go out in the field and get them?

Major SMITH. That is the problem, sir. There is a provision in the act that we can take them otherwise until the time that we can obtain them from the civil service.

Senator REED of Pennsylvania. You can actually get out these four and a half million service certificates in about two months' work; is that it?

Major SMITH. No, sir; we have to have the application blanks printed. Then we have to distribute those throughout the country. The American Legion has offered their services through their posts to distribute them. We are going to use every agency of the Army that we have, the veterans' organizations, and the Red Cross and all welfare organizations, to get the applications out to the individuals. The individual makes his application and sends it to the War Department. I am speaking of Army men. The application is received and must be examined to see whether it is correct or not, or complete enough so that we can identify the individual.

I might add here that in a file of that size you will find—well, take my own name—50,000 John Smiths. You can see therefore that one must have considerably more information about an individual beside his name to identify him as the man who is applying for the bonus. The examiner must verify all entries on the application to see that the case is complete enough for us to act upon. It is then sent to the file where the man's record is kept. The searcher picks out the record, checks, and certifies the application from the record, and hands it to a typist who prepares the certificate provided in the act to be furnished to the Veterans' Bureau or the finance department. In addition to that, the number of days must be computed. First, from the records we get the dates, and then we compute that into days, and into dollars, and transmit that data to the Veterans' Bureau, or the finance department, depending upon the plan under which a man is being considered.

Senator WATSON. Do you figure upon the 2,269 men simply to get out these certificates; you do not figure any work, or have you ever figured on any work, to be done after the certificates are issued?

Major SMITH. Yes, sir; I will qualify it. The 2,269 clerks are those that will be needed in The Adjutant General's office at the records. From then on the finance department, Major Boschen's organization, will have to make the payments under a certain provision of this act. They make the payments under the \$50 class.

Senator WATSON. I understand how they handle it up to that. How much new force will be required for that?

Major BOSCHEN. That will depend upon one or two conditions. If the bill includes the provision that the veteran is to receive the entire adjusted compensation with no deduction—by that I mean there are set up in the general accounting office various and sundry deductions, going from 10 cents to \$15 or \$20, compensations, little amounts the man owes the Government—if the bill contains the provision that those deductions, if any, will be made from the compensation of the veteran, that will be done with 969 employees, with a cost of \$1,367,180; but if the deductions are made otherwise, it would take 1,466 employees, with a cost of \$2,050,000.

The CHAIRMAN. How much are the men owing?

Major BOSCHEN. Senator, for instance, a pay roll has been figured by the paymaster, but he has made a mistake of a dollar in computing a man. He has given him \$31 instead of \$30. That is set up against him, and under the old statute dating away back to 1866 it must be deducted from any amount due the man under any condition at any time.

The CHAIRMAN. Do you think there is enough due from the men to pay the extra cost?

Major BOSCHEN. No, sir; I talked with Judge Ginn, the Assistant Comptroller General, yesterday afternoon on this very subject to get his views.

The CHAIRMAN. We had better provide in the bill for that.

Major BOSCHEN. As I recall, to give us the money, the first bill had a provision that no deductions should be made. Your committee took this up two years ago. Now, the Comptroller General has set up an activity where he proposes to allow them to keep this unless there is something put in the bill to prevent it. It will cost the Government about four times as much to collect it as what they will get out of it. Think of the mother of the dead soldier, what it will mean to her if we have to deduct \$33.33 from any amount that will be due her?

The CHAIRMAN. I do not think there will be much time spent by the committee on that.

Senator WATSON. Probably not. We will eliminate that.

Major BOSCHEN. Probably not. That is the reason I suggested something being put in.

Senator WATSON. Now, take 4,466 men for the United States, have you got the space for those?

Major BOSCHEN. No, sir.

Senator WATSON. You have got to have additional space?

Major BOSCHEN. It is right alongside The Adjutant General's office and we can use practically the same force.

Senator WATSON. Have you the room there?

Major BOSCHEN. No, sir; we have to ask for the room.

The CHAIRMAN. You can not get any?

Senator WATSON. Where would you get it?

The CHAIRMAN. There is a new building down on G and Fifteenth Streets there. The man having it in charge was up to see me the other day, and he says the space there is being taken up very rapidly and if I wanted any space I had better take it at once.

Senator WATSON. Right while that is on, Mr. McCoy estimated, as I recall, that the administration of this measure the first year would cost \$20,000,000. Am I right on that?

Mr. McCoy. Up to January 1, 1926, the preliminary and first year.

Senator WATSON. Those figures are two million plus and one million plus—approximately \$4,000,000. Did you take those things into consideration?

Mr. McCoy. Yes, sir; in the War Department.

Senator WATSON. Were you figuring on the actual payments to be made?

Mr. McCoy. The actual cost in every case.

The CHAIRMAN. That is the Navy Department and the Marine Corps?

Mr. McCoy. Yes, sir.

Major BOSCHEN. The War Department estimates its cost as a dollar per case the first year.

Major SMITH. These figures added to the other—that is, the figures on the work that is in The Adjutant General's office—will, if this deduction is taken out—

Senator STANFIELD. Mr. McCoy, how does that figure compare with the figure used in your computation?

Mr. McCoy. Well, I gave a rough estimate of \$20,000,000, based on the actual cost of administering the Veterans' Bureau and the War Risk Bureau.

Senator STANFIELD. I was just wondering whether they compared similarly.

Mr. McCoy. Either one of them, with the cost to the Government for the first year and the preliminary work on it.

Major SMITH. Senator, I want to add here that the figures of the finance department and The Adjutant General together would give you the total cost for the War Department.

Major BOSCHEN. I have prepared an amendment if you desire to have it, sir.

The CHAIRMAN. We have that.

Major SMITH. I will have to add these two figures up. That will be for the clerical hire. Then in addition to that amount there would be the normal supplies that would be needed for such a force. The figures that we have given you, Senator, are those for the clerical force.

Senator McLEAN. Have our offices made any comparison of the different estimates that have been presented to the committee by the actuaries so that they can tell us which one they think is nearer the fact?

The CHAIRMAN. I have asked him to send that up.

Senator McLEAN. I know; but he can give us anything he has now.

The CHAIRMAN. No; I asked him and he said he would send that up to-morrow.

Major BOSCHEN. There is one other thing that I would add to the cost of the administration of this act that should be considered, and that is the retaining of paragraph (e) of section 202, which says that—

any commissioned or warrant officer performing home service not with troops and receiving commutation of quarters or of subsistence for the period of service as such.

The General Accounting Office figures that that will cost about 60 cents per case to go through the 5,250 cases to find out how these men are placed.

The **CHAIRMAN.** That is over \$3,000,000.

Major BOSCHEN. The total number that we estimated will probably receive, that will not make an expenditure of over half a million. It is a question of whether it is cheaper to pay \$300,000 out of the saved \$3,000,000 or not. The only place that record is available is on the pay roll or on the pay voucher, and they have got to take every voucher for pay purposes of any kind during the entire period of the war and search each one individually to find out who those men are in order to certify them by that.

The **CHAIRMAN.** It is going to be an awful job.

Senator WATSON. Yes; there is no doubt about that.

Major BOSCHEN. So to leave that out will save \$2,700,000, and add to the administration of the bill materially.

The **CHAIRMAN.** All right, Major.

Senator SIMMONS. Major Smith, I understood you to say a little while ago that these statements that are being set up here indicating the number of days of service were estimated?

Major SMITH. Yes, sir.

Senator SIMMONS. Not the result of actual investigation of the records?

Major SMITH. They could only be, sir, because I know the only accurate information that could be gotten in that regard would have to be taken from the man's individual record, his service record; those have not been counted by days.

Senator SIMMONS. Now, being estimates, could you tell the committee the basis upon which you made the estimates? It seems to me it would be quite a difficult thing to estimate that with any degree of accuracy, and I think we ought to know your plan of estimating it so that we might ourselves form an opinion as to its accuracy.

Major SMITH. Yes, sir; I do not know how the figures that appear in the committee reports that you have before you were obtained. However, in the statement I will send I shall give the figures and the method of procedure—that is, how I have arrived at those figures—so the committee will see how they were obtained.

Senator SIMMONS. That is upon what you base your estimates?

Major SMITH. Yes, sir; and I shall do that.

The **CHAIRMAN.** Is there anything else, Major.

Senator WATSON. Have you given the committee, Major, the total cost; that is, not only clerical hire but printing, and the total cost?

Major SMITH. No, sir; I will have to add that up.

Senator WATSON. I would like if you would do that, and I know the committee would.

Major BOSCHEN. I think probably \$5,250,000 is the estimate for personnel, desks, stationery, etc., required to administer the act for the first year.

The CHAIRMAN. That is, as far as the War Department is concerned?

Major BOSCHEN. For the War Department. That is the general figures.

Senator WATSON. That does not include the Navy?

Major BOSCHEN. No, sir.

The CHAIRMAN. \$5,200,000?

Major BOSCHEN. Yes, sir.

Senator WATSON. What would it cost the Navy?

Major SMITH. There is a representative of the Navy here. There is one point, Senator, that affects the administration that I think, if I may refer to it, is important.

On page 7 of section 303, it provides that the Secretary of War in furnishing the information to the Veterans' Bureau upon which to base the adjusted service certificate, that they furnish—

the Secretary of War, or the Secretary of the Navy, as the case may be, shall transmit to the Director of the Veterans' Bureau before the veteran is entitled to an adjusted service certificate the application for the certificate, setting forth—

the certificate that we furnish is the certificate showing the essential points of the information. I can add anything that the Veterans' Bureau desires to that certificate, which will be the certificate of the showing of the record. If we send them an application, too, I can see no use that they can make of the application, and at the same time it imposes the additional amount of adding that copy to the application that the man has to send in.

In the end the payment, no matter what it may be, will be based upon the record as it stands in the War Department, which is the true record, rather than any statement that might be in the man's application because of the number of years that have elapsed since his service. We will figure the dates and our records are very complete now in that regard.

So far as I can see, the application is of no value to the Veterans' Bureau, and if they desire information from it at any time they can obtain it, the same as we handle any number of cases daily from them on their compensation claims upon mere request for the information, or for any copy of any particular record they want.

This bill is the first bill that the provision has appeared in that we have to furnish the application in addition to the certificate.

The CHAIRMAN. Is there any reason why the soldier wants to keep that application?

Major SMITH. No, sir; the way we had provided for, that application does not go back to the veteran; it is filed with the record in the War Department.

The CHAIRMAN. Is there any reason why they want to keep it?

Major SMITH. I have not had an opportunity to confer with them with regard to it. I intended to do it. It increases the cost of operation.

The CHAIRMAN. Is there any necessity for your keeping it to make your files complete?

Major SMITH. I keep the originals.

The CHAIRMAN. Why do you want to keep it?

Major SMITH. Because I make a certificate as to whether his application agrees with the record in the War Department or not.

The CHAIRMAN. That is true. Why couldn't you let that application made go over to the Veterans' Bureau?

Major SMITH. For this reason, sir: If the veteran takes exception to the amount of service or anything in connection with his payment, the adjudicating agency, or the answer even, if he is right or wrong, is found in his record, which is in The Adjutant General's office. So that if that application were in the Veterans' Bureau, the complaint would go there and then have to come over to The Adjutant General's office to find out what the man's record showed and then go back to the Veterans' Bureau again.

Now, with the other method we are going to file the application the man makes right with his record, and it will be available and furnished to the Veterans' Bureau in certificate form. It is no different from the General Accounting Office. Thousands and hundreds of thousands of claims that have been made with regard to back pay have been handled with the General Accounting Office in this manner. It dates clear back to the Civil War. The procedure in that case, as we hold the record, is the General Accounting Office sends over and requests information, information that we have. We certify the record and they make adjudication of the claim. Similarly, in the Veterans' Bureau in a case of a compensation for disability, the veteran applies to the Veterans' Bureau alleging his service, and they refer that to The Adjutant General's office, which gives them the information and they base their action upon the record.

Senator WATSON. You say it will cost, Major, \$5,240,000 the first year?

Major BOSCHEN. Yes, sir; \$5,250,000.

Senator WATSON. What will it cost each succeeding year?

Major BOSCHEN. The second year there will be 40 payments made to about 180,000 people. The cost will be practically nil.

Major SMITH. Senator, I take exception to that part. My figures, the cost that I have here, is the total cost, no matter whether it is extended over a long or short period. There is a time limit in this bill. We know that they are all not going to apply in the first nine months. The total cost so far as The Adjutant General's office is concerned is going to be the same. Nine months or five years, the cost is the same. We would not start out the first day after enactment and keep 2,000 clerks with nothing to do; we will keep just that clerical force necessary for the work; that is, if the work increases we will put on extra clerks; if it decreases we will take them off. We figure that the peak of this work so far as The Adjutant General's office is concerned will begin about the end of the second month.

Senator JONES of New Mexico. Do you estimate that any percentage of that would not apply within the two years?

Major SMITH. No, sir; I imagine that the bulk of the men will apply shortly after the blanks are distributed, and then it will gradually decrease, and probably there will be an increase the last two or three months before the limit, January 1, 1928.

Major BOSCHEN. I can give him some information on the question you asked there. I am paying \$60 payments. We still get them at the rate of 30 a month, strange as that may seem.

Senator JONES of New Mexico. Well then, you would judge that there would be quite a number that would not apply.

Major BOSCHEN. They would drift over and fall down until a regular little number would come every month. There is a certain number of men that you can not locate. I know that there is a large sum of money in Liberty bonds held as pay for officers and enlisted men in the Army, which is deductions from their pay; and we can not locate them. Yesterday I had one come in who was serving a life sentence in the penitentiary.

The CHAIRMAN. The claimant will make his claim for that.

Senator JONES of New Mexico. I think that is a surmise. I am quite sure there will be quite a considerable percentage that will not come in within two years at all.

The CHAIRMAN. I do not mean the question of application. I was speaking of the Liberty bonds, Senator. Major, what expense would there be if you sent out duplicate applications so that one could be kept in the War Department and one in the Veterans' Bureau?

Major SMITH. I have not figured that, sir, but in addition to that—

Senator JONES of New Mexico. Approximately, have you any idea? I will state that the advantage of that would be that the Veterans' Bureau would always have the signature of the soldier, and that as the years pass by is going to be a very important thing.

Major SMITH. Here is the thing, Senator. We prepare the certificates, that is, some four or five million cards. The information on them must be certified to by the Secretary of War. Due to the number of cards, they can not all be signed, but in lieu of the signature a machine similar to that used by the Post Office Department for the cancellation of stamps is to be used. This machine turns out 15,000 certificates an hour. If a copy of the application must be furnished the Veterans' Bureau it will be necessary to detach it from the card prior to running it through the machine and then reattaching the application blank after the run through. This will involve delay and hence additional expense in operation. Should the Veterans' Bureau desire to see the signature on the application it will be available to one of their representatives at any time desired. Records on file in the War Department are daily made available to representatives of the Veterans' Bureau. It would be a rare case that the signature would be needed by the Veterans' Bureau.

The CHAIRMAN. If that is all then, Major, we will call Capt. A. E. Watson, of the Navy.

STATEMENT OF CAPT. A. E. WATSON, UNITED STATES NAVY

The CHAIRMAN. Captain, we would like to hear from you on the same subject that we have from the War Department, from Major Smith of the War Department. I would like to have you state if you have the number of men in the Navy that would fall under the provisions of the bonus bill as it passed the House.

Captain WATSON. I have the figures here, sir, that show, with the deductions that appear in this bill, there will be 519,922 men who will come under the provisions of this bill.

The CHAIRMAN. Is that an estimate, or is that figure actual?

Captain WATSON. Those figures are quite accurate. They are taken from the daily record that we kept of the men that were in the service each day during the period covered by this bill.

The CHAIRMAN. And you know the length of service of each?

Captain WATSON. I have that as accurately as it can be obtained without taking the individual. I mean by that, sir, that we get each day and keep a running account each day of the number of men in the service, the number that come in and the number that are discharged, and we count those daily counts so that I think this is within a very few of being absolutely correct.

We have also the number that were overseas, which are counted from the muster rolls of the ships that were on the other side and that come under the provisions of the overseas service at \$1.25 a day, and that is 55 per cent of the ranking officers that were in the Navy, that come under that classification. So that figuring it out, the two classes, those at \$1 per day and those at \$1.25 per day, it amounts to \$156,762,646.

Senator SIMMONS. That is the amount in dollars; how much did you say it was?

Captain WATSON. It is \$156,762,646.

Senator WATSON. Did you figure on the number of men it would take to administer this and the amount of space?

Captain WATSON. Yes, sir; our space is rather limited in the Bureau of Navigation, sir. Our records are all kept in one continuous file, and it would simply mean our putting too many clerks there that would be in each others way, so in estimating the amount of space that we would need for the certificates they would have to go to each man's jacket, which contains all the information. That contains all the information on that man in the Navy Department, except the health record which is kept by the bureau of registration service, and the application will have to be made to take the jacket, which as I say contains all the information, and a work sheet made up by our searcher, and then it will have to go to the verifiers and from the verifiers to the computers and checked and certificate made out and forwarded. To do that work we estimate that we will need at the maximum at any one time 263 clerks. I would like to say now, sir, that I am not taking into consideration the work of the Paymaster General in paying the amounts of \$50 and less. I have not that information, sir.

Senator JONES of New Mexico. Here again, how many men in the Navy would be entitled to benefit under the provisions of the House bill?

Captain WATSON. Five hundred and nineteen thousand nine hundred and twenty-two.

Senator JONES of New Mexico. And how much would their compensation amount to?

Captain WATSON. We have worked it out, sir. At the rate of a dollar, not the total amount of the certificates, but on the basis of \$1 and \$1.25, and depending upon the kind of service, \$166,762,642. This is the enlisted men. I have the officers that I will have to take up separately. This is for enlisted men.

Senator JONES of New Mexico. There is one hundred and fifty-six million and how much?

Captain WATSON. Seven hundred and sixty-two thousand.

Senator JONES of New Mexico. Would the Army run in a greater proportion than the Navy? That is, would the pay to the individual in the Army be greater than the pay in the Navy?

Captain WATSON. I do not know, sir, what their percentage was of their men that were overseas. Our percentage was 55.

Senator JONES of New Mexico. Well, theirs would be less if anything, than yours, would it not?

Captain WATSON. I would not like to say. I should think so.

Senator WATSON. What is the estimate?

Major SMITH. There is a difference. In the Navy there is overseas service for every man that was aboard ship no matter whether he was on the Pacific Ocean or in Alaska or in European waters. The Army merely gets pay for a man who went across, for his service from the date of embarkation until his date of disembarkation. For instance, you take the man who served in the Philippine Islands or China or Porto Rico; if they were in the Navy they would receive \$1.25 a day, while in the Army they will receive \$1 a day and do not get credit for overseas service. I would say the number of men who went overseas is about 50 per cent. I can give you that.

The CHAIRMAN. Of the Army?

Major SMITH. Yes, sir; those that were actually brought into service and accepted for service are included in that figure. I will qualify that, because I am going to give you the actual figures on that, Senator. I will include that in this statement that I am going to submit.

Senator WATSON. That is higher than I thought.

Major SMITH. I just can not recall the figure. It is a little over 2,000,000.

The CHAIRMAN. Some of those men served in the United States and some of them also served abroad.

Major SMITH. Yes, sir; all those men.

The CHAIRMAN. Now, so far as the time is concerned, what is the percentage of the time of the men?

Major SMITH. That would be a figure that we could not give you, sir.

The CHAIRMAN. Well, it is less than 50 per cent, of course?

Major SMITH. Yes, sir; I imagine so.

Senator WATSON. Yes, sir; it is bound to be.

Captain WATSON. I will say there for the officers—I was just looking up the percentage of the officers who served overseas—that is 40 per cent in the Navy. There is quite a difference there.

Senator WATSON. Have you the numbers?

Captain WATSON. Yes, sir; I will make a statement for the record there. The officers of the regular service and temporary appointments there will be 5,909 entitled to the compensation, and for the reserve force there will be 21,216. Of those two, the 40 per cent receive the overseas and 60 per cent the home service. For the Regular officers it amount to \$2,860,540, and for the Reserve \$7,878,070.

The CHAIRMAN. Is that with the 25 per cent added?

Captain WATSON. No, sir; that is simply at the rate of \$1 and \$1.25 a day.

Senator JONES of New Mexico. Now, Major Smith, how many men do you roughly estimate would come under the provisions of this bill in the Army?

Major SMITH. Well, I would say it would be more of a guess; but as near as I can judge of those that are actually included, it is around 4,100,000. That is what I would say.

The CHAIRMAN. That is under the provisions of the bill, the House bill?

Major SMITH. Yes, sir; that is over 60 days. I am going to try to give you everything that you have asked for with regard to the figures, Senator, in the statement that I am going to submit.

Senator WATSON. 4,100,000 in the Army and 519,000 in the Navy; that is what you said?

Major SMITH. Yes, sir.

The CHAIRMAN. Well, you have the Marine Corps, then.

Senator WATSON. That does not include the marines at all.

Captain WATSON. No, sir; that does not include the Marine Corps.

Senator WATSON. Which are 35 per cent of the cost.

Captain WATSON. No, sir; that is just the rate that we certify.

Senator WATSON. Did you give the total cost of administration?

Captain WATSON. I did not, sir; I said that is the number of clerks that were needed at any one time.

The CHAIRMAN. Captain, would you make a complete statement of the cost of the administration, all costs, and file it here with the committee to-morrow?

Senator WATSON. Yes; he has all costs.

Captain WATSON. I have the amount here, sir, that would be the rate of the yearly salary. I have the salary of each clerk that we have requested and the total yearly salary of the 263 clerks, based upon the classification, civil-service classification, which will be \$339,840 per year. It is rather difficult to say how long we will require the maximum force, depending, as Major Smith says, upon the rate at which the applications are received. Upon the receipt of the major number of applications there is undoubtedly going to be considerable correspondence, adjustments, and claims that the men will put in, and each one will have to be gone over. So that we estimate that the cost is twice the yearly salary, and that should cover the total of the whole bill.

The CHAIRMAN. If there is nothing else, we thank you, Captain.

STATEMENT OF BRIG. GEN. R. H. LANE, UNITED STATES MARINE CORPS

The CHAIRMAN. General, will you make the same statement respecting the Marine Corps that has been made by Major Smith of the Army and Captain Watson for the Navy?

Brigadier General LANE. We have not made any calculations based specifically upon this bill, but we have figures based on the Fordney bill, which, except in very small details, apply in all respects.

According to these figures, we estimate that there will be 30,691 men with an average of 380 days' service who will be entitled to the bonus. Then, for overseas there were 28,056 days overseas—oh, no, 2,825,626 days of overseas service. Those are based upon accurate figures, and I think are substantially correct.

Senator WATSON. What percentage of your marines were abroad out of your 80,000; how many were overseas?

Brigadier General LANE. 36.6 per cent, and of the time about 25 per cent of the total service days we estimate were overseas service.

The CHAIRMAN. Those average days, however, are after deducting the 60 days allowed by the Fordney bill?

Brigadier General LANE. Yes, sir.

The CHAIRMAN. How did you arrive at these, by actual examination or by estimate?

Brigadier General LANE. We arrived at the total number of days by taking the strength of the Marine Corps on the outbreak of the war on the 6th of April, 1917, and adding the daily strength day by day, and we obtained an average, of course, by dividing the total number of men that we had by the average number of days.

The CHAIRMAN. But the number are actual and not estimated?

Brigadier General LANE. Yes, sir.

The CHAIRMAN. The number of men are actual and not estimated?

Brigadier General LANE. Yes, sir.

The CHAIRMAN. Have you the cost of administration?

Brigadier General LANE. Yes, sir; we estimate that this number, at least the part of it which would require extra clerical hire, would be due in about six months, and would require 60 clerks at a total cost \$42,120, and adding estimates for printing application blanks, forms, and stationery and equipment, that the total cost would be about \$50,120, and this would include the expenses of the personnel.

The CHAIRMAN. I say, have you space enough for that?

Brigadier General LANE. We have space enough for them by crowding, not space enough to accommodate that number permanently, but we can handle them during the limited period that it would be necessary to complete this work in. We estimate that the bulk of it would be finished in about six months, and after that we could handle it without extra provision. I would be very glad to make a more detailed estimate based on the provisions of this bill and submit it to the committee if you would like to have it.

The CHAIRMAN. I wish you would, sir.

Brigadier General LANE. We will get to work on it right away and have it in two or three days. I can leave this estimate.

The CHAIRMAN. We would rather you would make the whole thing up and give it to us.

Brigadier General LANE. Yes, sir; I will have the whole thing made up.

Senator McLEAN. What would be the difference in the cost provided we should pay a cash bonus instead of insurance?

Brigadier General LANE. It would be considerably greater.

Senator McLEAN. In the cash?

Brigadier General LANE. To pay the cash bonus. I am estimating only on paying amounts less than \$50, but if the paymaster were required to pay all of the bonuses he would require more clerical assistants.

The CHAIRMAN. Would that be the case with the War Department?

Major BOSCHEN. The increase would be about 25 per cent.

Senator SIMMONS. What do you mean?

Major BOSCHEN. Of the administration.

Senator SIMMONS: Oh, yes, the increase in the administration?

Major BOSCHEN: Yes, sir.

Senator SIMMONS: It would be about 25 per cent more on the cash basis than the insurance basis?

Major BOSCHEN: Yes, sir.

The CHAIRMAN: I suppose that they would require about the same in the Navy?

Brigadier General LANE: It would require more. I have not estimated that. I would have to look it up.

Senator McLEAN: Why is that? On the cash basis you get rid of it all at once.

Brigadier General LANE: Instead of sending it to the paymaster we would send those to the Veterans' Bureau if they were under \$50, so that all the expense of disbursement would be borne by the Veterans' Bureau. I imagine the total cost to the Government would be probably greater.

Senator McLEAN: Under the insurance plan you would have less to do during the entire term of the policy.

Brigadier General LANE: Yes, sir; that is true. I just roughly estimated it without having considered it, that the cost to the Government will be greater for the insurance than the cash basis.

The CHAIRMAN: The ultimate cost?

Brigadier General LANE: The ultimate cost; that is what I meant.

Senator SIMMONS: You said awhile ago that the cash plan would be 25 per cent higher than insurance; you meant the initial cost of the first few months of the first year?

Brigadier General LANE: As long as the payments continue. The bulk of it, of course, would be for the first few months.

Senator SIMMONS: Well, I must have misunderstood you. I thought you finally corrected your first statement and said when applied to the ultimate cost it would be less under the cash plan than under the insurance plan.

Brigadier General LANE: I would imagine so; yes, sir.

Senator SIMMONS: How much less would you say, Major, what per cent less?

Brigadier General LANE: I would not be able to give any estimate, because I am not familiar with the administration of the insurance policies and I have not really any very accurate idea of how much the cost would be, but I think it would be more.

Senator McLEAN: This estimate that was made by the officer who spoke for the Army, of a dollar a case, that is a dollar a soldier; did that include just the temporary estimate of the work to be done, or did it include all of the work that would be required during the term of the policy?

Major BOSCHEN: That only applies to the War Department. Once the case leaves the War Department the Veterans' Bureau takes up the expenses.

Senator McLEAN: You do not estimate that?

Major BOSCHEN: No, sir.

Senator JONES of New Mexico: What would be the difference in the expenses if the War Department should just pay the bill and be done with it and not send it over to the Veterans' Bureau?

Major BOSCHEN: Well, if it was payable in cash in quarterly payments, it would extend over a period of two and a half years. Of course the expense would decrease.

Senator JONES of New Mexico. What if it were paid all at once?

Major BOSCHEN. All at one swoop?

Senator JONES of New Mexico. Yes.

Major BOSCHEN. Then a dollar a case would do it. It is just as easy to make one big payment as one little one in each case.

Major SMITH. Senator, may I add just one word?

The CHAIRMAN. Yes, sir; Major.

Major SMITH. Regarding the plan of this bill, I notice in the majority report of the House committee there is a provision in the bill which says, "If the veteran has died before making application." Now, in the majority report I see they place no figures with regard to the man who died before January 1, 1919, and it might be read. It says:

If the veteran has died before making application under section 302.

It would seem to me upon the wording of that, that would include the men who were killed in action or died during the war, but that is not in the statement of the majority report in their report to the House, which did not include the men who were killed in action or who died in service during the war.

The CHAIRMAN. Was that in their estimate?

Major SMITH. I did not see those figures in there; no, sir.

Major BOSCHEN. They are not in there. They give 109,000.

The CHAIRMAN. I have heard a good many complaints that they are not included here, and they are demanding that they be included.

Senator WATSON. They are shut out, are they not?

Major SMITH. They are excluded because they are receiving compensation.

The CHAIRMAN. Yes; but they all want to get back.

Senator WATSON. How many of those are there, about 180,000? That 180,000 is not included in this other list at all?

Mr. TAYLOR. It is not included in this list.

Senator MCLEAN. Did we have 180,000 killed?

Major SMITH. I think the actual number killed in action is ninety some thousand, I think 93,000, as I recall now. I am speaking from memory now, Senator, but I think that is about the number that were actually killed. Then those that died of wounds in action, which brings it up to 180,000. The ruling is this: A man is killed in action if he dies the same day the wound is inflicted.

Senator MCLEAN. Then the killed in action is included in this 4,100,000, or is this 4,100,000 exclusive of those killed in action?

Major SMITH. Exclusive.

Senator MCLEAN. Exclusive?

Major SMITH. Yes, Senator; but those figures are just a mere statement. I am going to support those by more accurate figures. I would not like to have those go in as correct.

The CHAIRMAN. I will make a statement, then, now, and ask Major Smith and Captain Watson and General Lane to get their figures up into concise form and get them here to the committee to-morrow, with any explanation they desire to make.

Mr. TAYLOR. Did I put in, Senator, those amendments suggested by Major Boschén? I handed them to Senator Watson several days ago.

The CHAIRMAN. Yes; those will be incorporated in the record.

(The amendments referred to are as follows:)

AMENDMENTS SUGGESTED TO BE EMBODIED IN THE ADJUSTED COMPENSATION ACT

The omission from the bill of paragraph (e), section 202, and paragraph (a), section 203, and the addition to the bill of the proposed amendment to section 303 will result in an estimated saving in the administration of the proposed law of \$1 per case, or a total of \$5,250,000.

Subparagraph (e), section 202, provides that in the computation of the adjusted service credit no allowance shall be made to:

"Any commissioned or warrant officer performing home service not with troops and receiving commutation of quarters or of subsistence—for the period of service as such."

During the period for which adjusted compensation is payable under the act the great majority of officers performing home service not with troops and receiving commutation of quarters were placed upon such duty by orders issued under delegated authority and without reference to the War Department. While the records of this office show the station and duties of each officer during his entire period of service, they do not furnish information as to whether the officer was receiving commutation of quarters while performing any particular duty at any particular time, since the question of the payment of commutation of quarters is dependent solely upon whether public quarters are available and furnished to an individual. In view of this fact the information necessary to make these deductions from the adjusted service credit of any officer must be obtained from his pay vouchers, which are on file in the War Department, Division of the General Accounting Office. In order, then, to properly administer this provision of the act, it will be necessary for this office to refer to the General Accounting Office the application of each officer who may be compensable under the provisions of the act, and it will be necessary for the General Accounting Office to search each pay record of the individual and note on the application blank any period that he may have received commutation of quarters. The delay caused by such a reference and search is clearly evident and need not be further discussed. The expense and labor entailed upon the General Accounting Office in making these transcripts will be considerable, and it is the opinion of this office, concurred in by the Chief of Finance, and also by the Assistant Comptroller General of the United States, with whom the matter has been discussed informally, that the amount expended in furnishing the necessary information will exceed that which will be saved if the provision remains in the act.

Also omit paragraph (a), section 203.

AMENDMENT TO SECTION 305

Following the word "credit," in line 9, add the following:

"No deductions being made from the adjusted service credit of any veteran for any purpose, or on account of any overpayment or other erroneous payment previously made in respect to the service of the veteran in the military or naval forces, except as provided in this act."

followed by present wording beginning with the word "and" at the end of line 9.

TO BE INCLUDED IN SECTION 701

Provided, That employees on the statutory roll of the Adjutant General's office and the field roll of the finance department may be detailed on the work provided for in this act and paid from this appropriation at salaries equal to those which would be paid to new appointees for like work, and that an equal number of employees may be temporarily employed to fill the vacancies on the statutory and field rolls thus caused and be paid from the funds appropriated for statutory and field employees: *Provided further*, That all temporary employees carried on the statutory and field rolls shall be held and considered to be temporary employees only, who shall be dropped at any time without regard to civil service laws and regulations in order that the statutory and field employees transferred to the temporary roll may be retransferred to the statutory and field rolls in such grades as they would have held had they remained on the statutory and field rolls

TO FOLLOW SECTION 731

For the administration and carrying into effect of the provisions of this act the President, in his discretion, may detail any officer or officers of the Army for such duty regardless of any existing law prohibitory thereto.

ALIEN PROPERTY CUSTODIAN,
Washington, March 27, 1924.

HON. DAVID I. WALSH,
United States Senate, Washington, D. C.

DEAR SENATOR: Thank you for the copy of your release on adjusted compensation figures which you sent me.

I am taking the liberty of sending you a release of my own in answer to a challenge from some antibonus posts in New York.

Sincerely yours,

THOMAS W. MILLER.

WASHINGTON, D. C., March 18, 1924.

From: Thomas W. Miller.

To: The commanders of the following posts in the New York Department of the American Legion: Cannoneers Post, No. 22; City Club of New York Post, No. 244; George Carr Henry Post, No. 539; Larchmont Post, No. 347; Phillip S. McGovern Post, No. 345; John Furroy Mitchel Post, No. 208; Leonard S. Morange Post, Bronxville, No. 464; Morningside Post, No. 11; Scarsdale Post; Squadron A, One hundred and fifth Machine Gun Battalion, No. 372; William Bradford Turner, No. 265; Willard D. Straight Post, No. 342; Union Post, No. 590.

GENTLEMEN: I wish to acknowledge receipt of your letter of March 13, 1924, written on the stationery of the City Club Post of New York, signed by the commanders of 13 posts of the American Legion of New York, inviting me to discuss the question of adjusted compensation with Mr. George Brokaw Compton, in order that the situation may be clarified.

You also refer to charges that facts and figures, bearing on the bonus cost, have been distorted.

In answer to this, I will merely quote you, without comment, a few of the official figures supplied the Congress by the Treasury Department for the guidance of that body when considering what action to take upon adjusted compensation legislation.

In his letter to the Hon. Joseph W. Fordney, chairman of the Committee on Ways and Means of the House of Representatives, dated January 24, 1922, the Secretary of the Treasury said in part as follows:

"I am glad, in accordance with your request, to present the latest figures as to the probable receipts and expenditures of the Government for the fiscal years 1922 and 1923. * * * It appears from these statements that for 1922 the budget estimates indicate a deficit of over \$24,000,000."

This quotation is taken from the hearing before the Committee on Ways and Means of the House on H. R. 1, the soldiers' adjusted compensation bill, the hearings taking place January 31 and February 1-7, 1922.

You may recall that the fiscal year 1922, ending June 30, 1922, showed a surplus of \$313,000,000 or \$337,000,000 more than the Treasury Department estimated.

In President Harding's veto message of September 19, 1922 (which is published in the Congressional Record of that date, p. 13995), he states:

"The latest Budget figures for the current fiscal year show an estimated deficit of more than \$650,000,000 and a further deficit for the year succeeding, even after counting upon all interest collections on foreign indebtedness which the Government is likely to receive."

Although this statement is carried in the President's veto message, it is known that these figures for the veto message were prepared under the Treasury's direction as the financial department of the Government.

The fiscal year 1923 ended with a surplus of \$309,000,000. The difference, therefore, between the predicted deficit of \$650,000,000 and the actual surplus of \$309,000,000 equals \$959,000,000.

You will note that in the quotation from the veto message in paragraph 2, the language, "and a further deficit for the year succeeding." In submitting the Budget to Congress last month, the Treasury estimated a surplus for the

fiscal year 1924 of \$329,000,000. This, therefore, would show that the Treasury's prediction in the veto message for the fiscal year ending June 30, 1924, has already been boosted \$329,000,000.

Taking the apparent errors in the Treasury's prediction for the three fiscal years, we have the following:

1922.....	\$337, 000, 000
1923.....	959, 000, 000
1924.....	329, 000, 000
Total.....	1, 625, 000, 000

So much for the accuracy of the Treasury statements on the country's financial ability to meet the cost of this measure. I will now supply you with the Treasury estimates of the cost of the measure itself.

There are three separate estimates which I have in mind as follows: Senate Report No. 756 of the Sixty-seventh Congress, April 20, 1922, usually referred to as the McCumber report; the figures used by the late President Harding in his veto of September 19, 1922; and the figures used in Secretary Mellon's letter of December 13, 1923, to Representative A. Platt Andrew, of Massachusetts. The variation of these figures occurs particularly during the first four years of the operation of the proposed legislation, and in order to bring this to your attention closely, I am submitting the costs shown in the three documents in parallel columns below as follows:

	McCumber report	Veto message	Letter to Andrew
First year.....	\$77, 440, 889	\$145, 000, 609	\$161, 729, 007
Second year.....	92, 177, 729	225, 000, 000	111, 334, 378
Third year.....	73, 100, 963	114, 000, 000	92, 679, 005
Fourth year.....	370, 229, 885	312, 000, 000	661, 546, 183
Total.....	612, 949, 465	796, 000, 000	1, 077, 286, 568

These are the total costs for the years given. They are not subdivided into the three options under the bill—the certificate option, the farm and home aid option, and the vocational training option. It is of course necessary to assume that a certain number of the veterans will select each of these three options provided under the bill, and, in addition, it is necessary to assume that under each option a certain definite number of payments will be made each year in order to meet the proposed expenditures under each particular option. It is apparent that the extreme variations in cost referred to have resulted from the use of different assumptions by the Treasury Department at the various times it has estimated the cost of the bill.

After Secretary Mellon had submitted the last set of figures to Mr. Andrew, running approximately \$2,000,000,000 higher than his previous estimates, the Legion employed an actuary of high standing to compute the cost of the measure, and, if possible, end the confusion which exists in the minds of the public and the Congress which has resulted from the varying costs submitted by the Treasury Department.

The Legion's actuary obtained from the War Department, the Navy Department, and the Marine Corps the total number of veterans entitled to the benefits of the bill, together with the average number of days they had served at home and overseas, ashore, and afloat during the period for which they would receive credit for their services.

The actuary then called upon the actuary for the Treasury Department who had computed the cost measure to ascertain his basis of calculation. The actuary stated that the chief cause for the great divergence in the three estimates had been due to varying "assumptions" implied in the different calculations. He said further that as the "assumptions" implied in the last two estimates had been directed by Mr. Winston, the Undersecretary of the Treasury, that he would prefer to have the latter give his information to the Legion.

I am informed that the Legion's actuary thereupon called upon Mr. Winston and asked him for information concerning the "assumptions" which he had directed the actuary of the Treasury Department to use in his calculations and explained that this information would materially aid the Legion in arriving at the true facts.

I am informed that Mr. Winston declined to supply the requested information regarding the "assumptions" he had directed the actuary to use in the official calculations of the cost of the bill.

The Legion then conducted a nation-wide poll of more than 10,000 veterans, representing all walks of life, to ascertain what proportions would choose the various options and what percentage of those choosing life insurance proposed to borrow money on their certificates.

The poll showed the following results:

	Per cent
Vocational education.....	4
Farm or home aid.....	30
Life insurance.....	66

Only 11 per cent of those choosing life insurance stated that it was for the purpose of borrowing money on these certificates.

Using this poll as a basis, the Legion's actuary then calculated the cost of the measure as follows:

1925.....	\$139, 749, 000
1926.....	127, 069, 000
1927.....	93, 922, 000
1928.....	156, 492, 000

In addition to this he calculated that a total cost of the measure would be \$3,084,776,000. This is \$2,000,000,000 less than the \$5,085,833,687 estimated as the cost by Secretary Mellon to Congressman Andrew and nearly \$8,000,000 less than the \$3,845,000,000 cost estimated by the Treasury actuary for the Senate Finance Committee in 1922.

As you have doubtless heard, certain opponents to this Legion have attempted to crystallize anticompensation sentiment among veterans by making financial contributions to an organization known as the Ex-Service Men's Anti-Bonus League. Mr. Allen, the league's organizer, testified this month before the Ways and Means Committee of the House of Representatives. He stated he had founded the league in the belief that a large number of ex-service men were sincerely opposed to the principle of adjusted compensation, but that after 14 months as the native head of the league he had come to the conclusion that such was not the case. He stated that through the expenditure of \$70,000 in a membership campaign—this money having been contributed by nonservice men opposed to the measure—that only a few more than 400 ex-service men had paid their dollar direct for membership in the league. He stated, further, that there were a thousand membership in addition to this, but that their membership fees had either been paid by someone else or stood upon the books as unpaid, and that approximately 80 per cent of that membership was men who served as officers, although it was intended in organizing and founding the league to make it one expressive of the sentiments of the men who served in the ranks.

So much for outside efforts to heavily subsidize and actively organize anti-compensation sentiment among the veterans themselves.

With regard to your assertion that the membership in the Legion has been dwindling, please be advised that our organization contains a total paid-up membership last year of 665,762, which represents a strong, cohesive set of men from within the ranks of the ex-service men. I am glad that the membership of your post has seen fit to remain within the Legion and do their fighting within our ranks rather than hurl bricks from the outside, as a very few have seen fit to do.

I wish, however, to assure you that I appreciate your invitation and the thought which prompted it. The Legion has always known that some of its members were opposed to legislation of this character, and from my own viewpoint, at least, has had no more quarrel over this difference of opinion than in other differences concerning policy which have continually arisen since the formation of the Legion.

As you know, the Legion, as a national organization, has been committed to adjusted-compensation legislation for more than four years. Since it first adopted this policy there have been four national conventions, with their preceding department conventions, viz, Cleveland, Kansas City, New Orleans, and San Francisco. There has been ample opportunity for each department to determine its attitude on this measure, as for four successive years the departments have elected their delegates to the national conventions, and in electing them have specifically instructed them affirmatively on this question.

As I see it, the time to debate this subject within the Legion is prior to the department conventions, as at that time each department is seeking to ascertain

the attitude of its members, so that a policy may be determined for the ensuing year. At such time joint debates by legionnaires might tend to clarify a particular situation and aid in arriving at the policy to be followed later.

The policy of continuing the adjusted-compensation fight for the present year was unanimously voted by the nearly 1,000 delegates to the San Francisco convention—previously instructed at their department conventions—and Commander Quinn was instructed to push the measure at the present session of Congress. This position was affirmed by the national executive committee of the Legion governing body between conventions, at its meeting in January, 1924.

Therefore I can not see how the attitude of the Legion can be clarified at the present time by the discussion you suggest, as its attitude for the year has already been officially determined, and in accordance with this, its mandate has been given to its national officers. They, and they alone, have the authority to speak for the Legion on this subject.

To discuss it further at the present time within the ranks of the Legion itself could serve no useful purpose from a Legion viewpoint, as the Legion's attitude has already been determined.

Let me reiterate that I appreciate and understand the spirit in which your letter was written. I am,

Respectfully yours, for the American Legion,

THOMAS W. MILLER.

P. S.—As I am signing this letter information has been brought to me that the adjusted compensation measure has passed the House of Representatives by a vote of 355 to 54, which is an increasing majority voted by the Representatives of the people in favor of this measure.

(Whereupon, at 11.15 o'clock a. m., the committee adjourned to meet to-morrow, Friday, March 28, 1924, at 10 o'clock a. m.)

SATURDAY, MARCH 29, 1924

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

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10 o'clock a. m., Hon. Reed Smoot (chairman) presiding.

Present: Senators Smoot, McLean, Curtis, Watson, Jones of New Mexico, Reed of Missouri, Walsh of Massachusetts, and Harrison.

The CHAIRMAN. Brig. Gen. Rufus H. Lane, adjutant and inspector, United States Marine Corps, reports to the committee as follows:

HEADQUARTERS UNITED STATES MARINE CORPS,
Washington, March 28, 1924.

SIR: I have the honor to inclose herewith a memorandum showing the estimated cost of the bonus as proposed by the bill H. R. 7959 on account of officers and enlisted men of the United States Marine Corps.

These figures will be found slightly at variance with those given to the committee yesterday, which is explained by the fact that the latter were compiled in 1922 under the provisions of the Fordney bill, which differed in some respects from the bill now pending.

Very respectfully,

RUFUS H. LANE,
Brigadier General, Adjutant and Inspector,
United States Marine Corps.

Hon. REED SMOOT,
Chairman Committee on Finance,
United States Senate.

Shall I read the estimates?

Senator WATSON. Yes.

Senator JONES of New Mexico. We are not going to do anything with it now, and I think all of that should be printed.

The CHAIRMAN. We are going to print it.

Senator JONES of New Mexico. Why not get it printed before we consider it?

The CHAIRMAN. Then, at this point, if the committee does not wish it read at this time, I ask that that report be printed in the record at this place.

HEADQUARTERS UNITED STATES MARINE CORPS,
Washington, March 31, 1924.

MY DEAR SENATOR SMOOT: I have the honor to inclose herewith a memorandum supplementary to the statement furnished the committee, showing the additional cost of the bonus for members of the United States Marine Corps if the period during which adjusted service credit shall be computed is extended to include the months of July, August, September, and October, 1919; also a statement of the cost of the bonus for female marines.

I am also inclosing a revision of the statement submitted March 28, the marines serving on board ship having been inadvertently shown as on home service instead of on oversea service in the original statement.

Very respectfully,

RUFUS H. LANE,
Brigadier General, Adjutant and Inspector,
United States Marine Corps.

Hon. REED SMOOT,
Chairman Senate Finance Committee,
United States Senate.

HEADQUARTERS UNITED STATES MARINE CORPS,
Washington, March 28, 1924.

*Estimate of cost of providing bonus for members of Marine Corps under World War
adjusted compensation act (H. R. 7959)*

1. Number of veterans entitled to credit:

Total number of commissioned officers, warrant officers, enlisted men, and female reservists in the Marine Corps, National Naval Volunteers (Marine Corps Branch), and Marine Corps Reserve after Apr. 5, 1917, and before July 1, 1919.....		95,138
Not included in term "veteran" under sec. 2 (a)—		
(1) Separated under other than honorable con- ditions.....	1,645	
(2) Conscientious objectors.....	0	
(3) Discharged because of alienage.....	0	
	1,645	
Total Marine Corps veterans.....		93,493
Not entitled to adjusted service credit under sec. 302—		
(a) Above grade of captain.....	325	
(b) Held permanent commission or warrant.....	555	
(c) Female marines.....	313	
(d) Entered after Nov. 11, 1918.....	6,724	
(e) Officers receiving commutation of quarters or subsistence.....	176	
(f) Member of Public Health Service.....	0	
(g) Granted farm or industrial furlough.....	1	
(h) Detailed for work on roads.....	0	
	8,094	
Veterans entitled to credit.....		85,399

2. Amount of adjusted service credit:

Average service credit, in excess of 60 days, for each vet- eran.....	days..	380
Total man-days (85,399×380).....		32,451,620
Excess man-days of those with more than maxi- mum service for credit under sec. 201.....	2,589,730	
Days A. W. O. L., in confinement and lost due to misconduct.....	410,270	
		3,000,000
Total service in days for computing credit.....		29,451,620
Oversea service, 42.5 per cent, or 12,539,656, at \$1.25.....		\$15,674,570
Home service, 57.5 per cent, or 16,911,964, at \$1.....		16,911,964
Total credit.....		32,586,534

3. Cost of service credit:

Adjusted service pay to 956 veterans whose adjusted service credit is \$50 or less, and whose total service, in excess of 60 days each, is 24,791 days (home service, at \$1 per day).....		24,791
Adjusted service certificates for 84,443 veterans—		
Total credit.....	\$32,586,534	
Less adjusted service pay.....	24,791	
	32,561,743	
Increase of 25 per cent under sec. 501.....	8,140,435	
		40,702,178
Total to veterans.....		40,726,969

4. Cost of administration at Marine Corps headquarters:

Pay of 60 clerks for average of 6 months—		
36 in Grade II, at \$1,320.....	\$23,760	
20 in Grade III, at \$1,500.....	15,000	
4 in grade IV, at \$1,680.....	3,360	
		\$42,120
Furniture, stationery, supplies, and printing—		
Desks and chairs.....	3,420	
Typewriters.....	2,800	
Printing and stationery, including application blanks, certificates, letterheads, envelopes, etc.....	1,780	
		8,000
Total cost of administration.....		\$50,120

5. Total cost of bonus to Marine Corps veterans, and of administration at Marine Corps headquarters..... 40,777,089

Average cost of bonus to marines, period April 5, 1917, to July 1, 1919

	Dollars	Men	Average cost per man
Cash.....	24,791	956	\$25.93
Certificates.....	40,702,178	84,443	482.01
Total.....	40,726,969	85,399	476.90
Administration:			
Clerks.....	42,120	85,399	.49
Printing and supplies.....	8,000	85,399	.09
Total.....	40,777,089	85,399	477.48

HEADQUARTERS UNITED STATES MARINE CORPS,
Washington, March 29, 1924.

Supplementary estimate of cost of providing bonus for members of Marine Corps under World War adjusted compensation act (H. R. 7959)

If the period during which adjusted service credit shall be computed is extended to include the months of July, August, September, and October, 1919:

1. Number of veterans entitled to credit.....	85,399
2. Amount of adjusted service credit:	
Average service credit in excess of 60 days for each veteran..... days..	406
Total man-days.....	34,732,404
Excess man-days of those with more than maximum service for credit under sec. 201....	3,884,695
Days A. W. O. L., in confinement and lost due to misconduct.....	445,305
	4,330,000
Total service in days for computing credit.....	30,402,404
Oversea service, 41.5 per cent, or 12,647,356 days, at \$1.25..	\$15,809,195
Home service, 58.5 per cent, or 17,755,058 days, at \$1....	17,755,058
Total credit.....	33,564,253

3. Cost of service credit:		
Adjusted service pay.....		\$24, 791
Adjusted service certificates—		
Total credit.....	\$33, 564, 253	
Less adjusted service pay.....	24, 791	
	<u>33, 539, 462</u>	
Increase of 25 per cent under sec. 501....	8, 384, 865	
		<u>41, 924, 327</u>
Total.....		41, 949, 118
4. Cost of administration at Marine Corps headquarters.....		50, 120
5. Total cost of bonus to Marine Corps veterans and of administration at Marine Corps headquarters.....		41, 999, 238
Statement of Mar. 28.....		40, 777, 089
Increase for 4 months' period.....		<u>1, 222, 149</u>

HEADQUARTERS UNITED STATES MARINE CORPS,
Washington, March 31, 1924.

Estimate of cost of providing bonus for female marines in Marine Corps Reserve under World War adjusted compensation act (H. R. 7959), if amended

1. Number of veterans entitled to credit:		
Total number of female marines in the Marine Corps Reserve after Apr. 5, 1917, and before July 1, 1919.....		313
Entered after Nov. 11, 1918.....		38
Served less than 60 days.....		13
		<u>51</u>
Total veterans.....		262
2. Amount of adjusted service credit:		
Average service credit, in excess of 60 days, for each veteran, days.....		193
Total man days (262×193).....		50, 664
Absences.....		0
Total service in days for computing credit.....		50, 664
Home service, 50,664 days, at \$1.....		\$50, 664
3. Cost of credit:		
Adjusted service pay to 5 veterans whose adjusted service credit is \$50 or less, and whose total service in excess of 60 days each is 162 days (home service at \$1 per day).....		162
Adjusted service certificates for 257 veterans:		
Total credit.....	\$50, 664	
Less adjusted service pay.....	162	
Total.....	<u>50, 502</u>	
Increase of 25 per cent under sec. 501.....	12, 625	
		<u>63, 127</u>
4. Cost of administration:		
Clerical force, printing, stationery, etc., 262 veterans, at \$0.58 each.....		152
5. Total cost of bonus to female marines and of administration at Marine Corps headquarters.....		63, 279
Increased cost if months of July, August, September, and October, 1919, are included.....		7, 696
Total.....		<u>70, 975</u>

RUFUS H. LANE,
Brigadier General, Adjutant and Inspector.

The 275 female marines entitled to credit for bonus purposes served at the following places:

Headquarters Marine Corps, Washington, D. C.....	181
Staff officers, etc., outside of Washington.....	29
Recruiting stations.....	65
Total.....	275

They were enlisted as privates, and some of them were promoted to the grades of private, first class, corporal, and sergeant. They performed the same duties as enlisted men who served at the same places and received the same pay. The pay of the grades named, plus \$83.40 per month for commuted allowances, was as follows:

Private.....	\$113.40
Private, first class.....	116.40
Corporal.....	119.40
Sergeant.....	121.40

The average pay of the 275 female marines was \$117 per month.

RUFUS H. LANE,
Brigadier General, Adjutant and Inspector.

Senator JONES of New Mexico. Suppose we have all these reports printed together in a separate pamphlet?

Senator WALSH of Massachusetts. That was agreed to the other day.

Senator CURTIS. Are there any questions that any member desires to ask General Lane?

Senator WALSH of Massachusetts. What do the figures show?

The CHAIRMAN. The total cost of bonus to Marine Corps veterans and of administration at Marine Corps headquarters is \$40,226,976.

A letter from Capt. A. E. Watson, of the Navy Department, Bureau of Navigation, dated March 29, 1924, gives the cost to the Navy Department. The total is \$214,824,510.50. That will be printed in the record at this point.

NAVY DEPARTMENT,
BUREAU OF NAVIGATION,
Washington, D. C., March 29, 1924.

MY DEAR MR. CHAIRMAN: In compliance with your request, there is inclosed herewith an estimate of the cost of the adjusted compensation for veterans of the World War, for the United States Navy, under the provisions of H. R. 7959, together with the estimate for necessary clerical assistance and contingent expenses.

Sincerely yours,

A. T. LONG, *Chief of Bureau.*
A. E. WATSON, *by direction.*

CHAIRMAN COMMITTEE ON FINANCE,
United States Senate.

ADJUSTED COMPENSATION ACT

	Officers permanent and temporary	Officers reserve force	Enlisted men
Average age (July 1, 1919).....	31	30	22
Total who served.....	12,544	34,771	551,738
Deductions.....	6,635	10,821	31,814
Total entitled to adjusted service credit.....	5,909	23,950	519,922
Average days for adjusted credit.....	440	329	342
Man-days for adjusted credit.....	2,599,960	7,879,550	177,813,328
Home service (man-days).....	1,557,600	4,727,729	80,015,996
Overseas (man-days).....	1,042,360	3,151,821	97,797,332
Home service, at \$1 per day.....	\$1,557,600	\$4,727,729	\$80,015,996
Overseas, at \$1.25 per day.....	1,302,940	3,939,776	122,246,660
Total.....	2,860,540	8,667,505	202,262,656

Total (adjusted compensation).....	\$213,790,701.00
Clerical hire and contingent expenses (Bureau of Navigation).....	803,809.50
Expenses for administering cash payment (Bureau of Supplies and Accounts).....	230,000.00
Grand total (Navy).....	214,824,510.50

Annual rate, Bureau of Navigation clerical hire

1 special expert (civilian not subject to civil-service laws).....	\$8,000
1 chief clerk (salary to be temporarily increased out of this appropriation at the rate of \$1,000 per annum, in addition to regular salary paid out of regular clerical appropriation).....	1,000
1 chief of division (salary to be temporarily increased out of this appropriation at the rate of \$750 per annum, in addition to regular salary paid out of the regular clerical appropriation).....	750
2 chiefs of divisions, at \$500 (salaries to be temporarily increased out of this appropriation at the rate of \$500 per annum, in addition to regular salary paid out of the regular clerical appropriation).....	1,000
1 chief of division (salary to be temporarily increased out of this appropriation at the rate of \$250 per annum, in addition to regular salary paid out of the regular clerical appropriation).....	250

Grade	Number	Designation	Entrance salary under classification	Amount
4.....	5	Supervisors.....	\$1,680	\$8,400
2.....	94	Clerks.....	1,320	124,080
2.....	3	Stenographer and typist.....	1,320	3,960
2.....	5	Clerk, typists.....	1,320	6,600
2.....	18	Correspondence clerks.....	1,320	23,760
2.....	9	Verifiers.....	1,320	11,880
1.....	50	Typists.....	1,140	57,000
1.....	51	Record and file clerks.....	1,140	58,140
1.....	2	Mail clerks.....	1,140	2,280
4 custodian.....	3	Messengers.....	1,020	3,060

Clerks of present force to be transferred to bonus work

Grade	Number	Designation	Present salary including bonus	Salary under classification	Amount
3	1	Supervisor.....	\$1,440	\$1,500	\$1,500
3	1	Application clerk.....	1,440	1,500	1,500
2	4	Verifiers.....	1,440	1,440	5,760
2	3	do.....	1,340	1,380	11,040
2	3	do.....	1,240	1,320	3,960
2	6	do.....	1,140	1,320	7,920
	263	Annual total for clerical hire.....			339,840

It is estimated that this number represents the maximum clerical force required at any one time, and it is estimated that double this amount would cover the total expense for clerical hire to carry out the provisions of the act—or \$779,680.

Contingent expenses, Bureau of Navigation

Desks and typewriter stands.....	\$2,256.75
Typewriter chairs.....	1,910.00
Bentwood chairs.....	258.75
Typewriters.....	5,250.00
Costumers.....	704.00
Printing.....	9,000.00
Stationery and supplies.....	4,000.00
Miscellaneous.....	750.00
Total.....	24,129.50

Expenses for administering cash payment, Bureau of Supplies and Accounts

Maximum required..... \$230,000

Senator WATSON. Does that give the cost of administration, too?

The CHAIRMAN. That includes the cost of administration. The total adjusted compensation is \$213,790,701.

There is also a letter from the War Department, dated March 29, 1924, signed by Maj. John N. Smith, jr., Adjutant General's department. I will ask that that letter be printed, because in it are some explanations.

Senator JONES of New Mexico. All of those letters ought to be printed with the data furnished.

The CHAIRMAN. They will be.

Senator WALSH of Massachusetts. Did the committee send for the information in these letters?

The CHAIRMAN. It did.

WAR DEPARTMENT,
THE ADJUTANT GENERAL'S OFFICE,
Washington, March 29, 1924.

CHAIRMAN FINANCE COMMITTEE, *United States Senate.*

DEAR SIR: In conformity with the wish of the Finance Committee of the Senate, there is transmitted herewith a table containing information upon which may be based the cost of adjusted compensation to veterans of the World War who served in the Army. This table is supplementary to the statement made by me before the committee on March 27, 1924.

¹ Will be reduced by \$30,000, should it not be necessary to ascertain possible offsets due to clerical errors, or misinterpretation or misapplication of law, which would make inquiries of the General Accounting Office and result of retainer pay accounts in the light of recent decisions a prerequisite to disbursement.

Will be further reduced by \$100,000 should it not be necessary to recompute retainer pay accounts under the light of recent decisions and certify the result of such computations to the United States Veterans' Bureau for consideration in issuing adjusted service certificates.

The figures in the cases of the total number of men who actually served in the Army, those who served overseas, and those who served at home, are the result of an actual count made at the time of the preparation of the statement of service cards furnished the adjutants general of the several States. The figures with regard to the average number of days of service, those relative to the percentage of men who served not more than 60 days, those who served more than 60 days but less than 111 days, and those who served more than 110 days, were obtained in each case by an estimate based upon a study of 400 individual records picked at random from the files in the World War Division of The Adjutant General's office.

According to the most reliable data yet compiled, which consists of estimates in some cases and figures based on actual count in others, approximately 1,000,000 individuals in addition to the 4,050,703 given in the attached estimate were either actually or constructively in the military service during the period of active hostilities, but were not included in the attached table because they are excluded by the proposed law from participation in the benefits conferred.

These 1,000,000 individuals include persons discharged from the draft on account of physical defects, draft deserters, men discharged from draft because of its cancellation, members of the Students' Army Training Corps, members of the Reserve Officers' Training Corps, the Philippine Constabulary, and members of other similar classes or organizations. In view of the fact that undoubtedly most of these men will nevertheless make application for compensation and these cases will of necessity have to be adjudicated, they were included in the estimate of the cost of administration of the act submitted in the statement made to the committee on March 27, 1924.

The figures contained in the attached table are based upon the provisions of H. R. 7959.

JOHN N. SMITH, Jr.,
Major, Adjutant General's Department.

Estimates pertaining to the cost of adjusted compensation of veterans of the Army

1. Number of men finally accepted and who performed actual military service.....	4, 051, 606
2. Number of men who performed both home and oversea service..	2, 057, 907
3. Number of men who performed domestic service only.....	1, 993, 699
4. Average number of days per man of overseas service of those men who served both overseas and at home.....	312
5. Average number of days per man of home service of those men who served both overseas and at home.....	174
6. Average number of days per man of service of those men who served at home only.....	228
7. Average number of days per man of service of those men who served more than 60 days but less than 111 days.....	84
8. Percentage of men who performed domestic service only who served 60 days or less (all men serving overseas served more than 60 days).....	8. 5
9. Percentage of men who performed domestic service only who served more than 60 days and less than 111 days (all men serving overseas served more than 111 days).....	14
10. Number of men performing oversea service but excluded from benefits of act by provisions thereof.....	115, 274
11. Number of men performing home service only but excluded from benefits of act by provisions thereof.....	404, 822
12. Number of men who will receive cash payment (the average length of service per man in this class is 84 days home service, as indicated in item 7 above).....	279, 117
13. Number of men with home service only who will receive adjusted service certificates (the average length of service per man in this class is 228 days home service as indicated in item 6 above).....	1, 309, 760
14. Number of men with both home and oversea service who will receive adjusted service certificates (the average length of service per man in this class is 486 days; figured on the basis of an average per man at 312 days oversea service and 174 days home service, as indicated in items 4 and 5 above).....	1, 942, 633

NOTE.—1. The figures with regard to average number of days of service for the different classes are the average of total service; the 60 days excluded by the provisions of the act have not been deducted from such averages.

2. There is no information available in the War Department showing the number of veterans who have died since separation from service.

3. The cost of the administration of the provisions of the act, in so far as The Adjutant General's office and the office of the Chief of Finance are concerned, was given at the hearing of March 27, 1924.

MARCH 29, 1924.

The CHAIRMAN. I will state that in the War Department the information here gives the estimates pertaining to the cost of the adjusted compensation of veterans of the Army. But you have no total cost here, Major Smith.

Major SMITH. The average number of days that they served in each class is stated.

The CHAIRMAN. We will figure out what it is.

Senator JONES of New Mexico. I should just like to ask the gentlemen if any one of them desires to say anything further in explanation of or in connection with the subject treated?

General LANE. I think the figures there are complete, as far as we are able to give them.

Major SMITH. One of the Senators the other day asked me to figure out the number of men who served in the front lines overseas. The figures are 1,390,000; 2,041,000 men served overseas, and 1,390,000 in the Army reached the front line. In other words, approximately two out of every three reached the front line.

The CHAIRMAN. Do you mean of the Army?

Major SMITH. Yes, sir. I think Senator King asked me that question.

Senator McLEAN. Why not have that statement completed as bearing on the House bill?

The CHAIRMAN. Do you mean the total cost? Can you complete that?

Major SMITH. Yes, sir. Senator, with regard to the cost of the insurance policies; that is, the adjusted service certificates, I did not know whether the Veterans' Bureau would compute that part of it or not. I have computed the dollars and the days. Of course, the cost of the insurance feature of the bill I could figure to the best of my ability.

The CHAIRMAN. You can figure it the same way the others are figured.

Senator JONES of New Mexico. We will get these all printed and then we will have the different actuaries figure them up.

Senator WATSON. Major Smith, you are proposing there an amendment, or Mr. Taylor is, that no deduction shall be made from the enlisted service printed of any veteran for any purpose. Would that make any difference in the cost?

Major SMITH. Yes, sir; it does materially to the finance department.

Senator WATSON. You could not well determine, then, what the cost will be until we know what we are going to put in the bill?

Major SMITH. That figure, I think, was presented in the testimony the other day by Major Boschen. I think when he spoke at that time he had the figure here. I think it was somewhere around \$300,000.

The CHAIRMAN. There is one other question that I wanted to ask. Can you tell me how many yeomanettes and marinettes there were in the Army?

Major SMITH. We had none. We had some that were field clerks, but the yeomanettes were in the Navy.

The CHAIRMAN. Captain Watson, can you tell me how many there were in the Navy?

Captain WATSON. How many what?

The CHAIRMAN. Yeomanettes and marinettes.

Captain WATSON. Eleven thousand eight hundred and eighty.

General LANE. Three hundred and thirteen is the total number in the Marine Corps, and the average cost would be \$300, the total being \$93,900.

Senator McLEAN. They were stenographers?

General LANE. They were stenographers mostly.

Senator McLEAN. What salary did they draw?

Captain WATSON. They drew salaries corresponding with those in the Navy. They were regularly enlisted in the Navy, and they came under the regular Navy.

The CHAIRMAN. What was the average pay?

Captain WATSON. At that time?

The CHAIRMAN. Yes.

Captain WATSON. I would not like to say, sir. I imagine, with the increase they got during the war, the average might be about \$55, but that is a very rough guess.

The CHAIRMAN. I was told that it was \$83. That is the reason I asked you the question.

Captain WATSON. If you care to have it, I will get you the exact figure.

The CHAIRMAN. You had better do that and send it up by letter. Do you remember the salary, General Lane?

General LANE. No, sir. It can be taken from the record.

The CHAIRMAN. Send that up, please.

General LANE. I want to say that the total cost for the Marine Corps, and Captain Watson tells me the same is true for the Navy, is based upon the \$1.25, as if we were taking the cash in by insurance.

The CHAIRMAN. That is simply as if you were going to pay the cash right out?

General LANE. Yes, sir.

Senator JONES of New Mexico. I should like to hear from some one what difference it would make if we were to extend that period from July, 1919, to the 1st of October, 1919.

I happen to know that some of the soldiers were kept in the service after July, 1919, and they made every effort to get out of the service. One of my own clerks was in just that position. Of course, as soon as the war ended he wanted to come back. He was over in Germany. I tried to get him back; I wanted him in my office; but he could not get relieved until the latter part of September, if I remember rightly, and there were a number of others in the same position. It seems that an order was issued to discharge these men in the latter part of June or the first of July, but it was not carried out as to all of them. Reenlistments were invited, as I understand it. Some of them did reenlist, but a considerable number wanted to get their discharges and they did not get those discharges; they were kept there. Now, I

think those people are entitled to just as much consideration, serving after the 1st of July, as they were when serving before the 1st of July. My recollection is that it would affect something like 20,000 in the Army.

Mr. TAYLOR. I might clear that up by asking Major Smith a question. The man-days you submitted, Major, total the number of man-days?

Major SMITH. Up to and including July 1, 1919. I cut it off right there.

Senator JONES of New Mexico. I think that calculation ought to be extended. For one, I am going to favor extending the days to those people up to the maximum who remained in the service and were unable to get out of the service.

Senator WALSH of Massachusetts. You would not increase the maximum of payment?

Senator JONES of New Mexico. No.

Senator WALSH of Massachusetts. But if somebody went in in October of 1918 and remained after July, 1919, you would extend the period of man-days to them?

Senator JONES of New Mexico. Whatever time was up to the maximum we allowed.

The CHAIRMAN. Mr. McCoy just advises me that it would make a difference of eight days on the average. Mr. McCoy, do you mean for the whole Army?

Mr. MCCOY. Yes, sir.

The CHAIRMAN. Is that all? I should not think it would be that much.

Mr. TAYLOR. I do not see how it could be.

The CHAIRMAN. I do not see how it could be, but there seems to be a great many of them that remained there.

Major SMITH. The first instructions were that all men returning from overseas would be immediately discharged upon arrival, those that desired to be discharged, that is. With regard to the home service men, the men who had only home service, the first instructions with regard to demobilization were that men who were needed on farms or in their business that they left, or who had dependents, would be discharged; and the system was that until they could recruit to get sufficient men into the Army to take care of the men who were wounded, men who were in the hospitals, etc., that they gradually release these men. Senator Jones mentioned the order. The first order for general demobilization was issued September 1, 1919, but the greater portion of the Army had been demobilized up through July, but these men were held in the service until they could get sufficient to take the place of the men who were being discharged and take care of the numerous hospitals, etc.

Mr. TAYLOR. How many men do you think we had overseas between July 1, 1919, and September 20, 1919? That is two months and a half.

Major SMITH. The peak of the return of soldiers from overseas was in April and May, 1919. A great bulk had returned by July 1.

Mr. TAYLOR. I do not think we had 200,000 over there during those months. I do not see how it could be an increase of eight days.

Senator JONES of New Mexico. Whatever it is it seems to me it is entitled to just as much consideration as any other. I should like information along that point.

Major SMITH. Mr. Chairman, I would like to put this statement in the record: The number of men who died in service overseas was 77,530.

Senator CURTIS. That is in the Army?

Major SMITH. In the Army; yes, sir. The number who died in service at home was 42,120; making a total of 119,659 men who died while in the service.

Senator McLEAN. Those in the marine service would bring it up to 180,000.

Senator WATSON. How many died as a result of service?

Major SMITH. We have no figures after the men had been separated from the service. I presume the Veterans' Bureau can give a more accurate estimate on that.

Senator JONES of New Mexico. I wish all three of the branches of the service would give us estimates as to the number of people involved in the period after July 1 up to the end of October.

(Thereupon, at 11 o'clock a. m., the committee proceeded to the consideration of other business.)

NAVY DEPARTMENT,
BUREAU OF NAVIGATION,
Washington, D. C., March 31, 1924.

MY DEAR SENATOR SMOOT: The following is the estimated increased adjusted service credit for the Navy, if the limiting date of June 30, 1919, is extended to include October 31, 1919:

Officers Regular Navy.....	\$22, 155
Officers reserve force.....	467, 823
Enlisted men.....	17, 150, 927
Total.....	17, 640, 905

The difference in proportion is accounted for by the argument that the officers had on the average more nearly completed the 560 day limit on June 30, 1919, than the enlisted men; therefore the added days make very little difference.

Very respectfully,

A. T. LONG, *Chief of Bureau.*
C. B. HATCH,
(For Captain Watson, by direction.)

Senator REED SMOOT,
Chairman Finance Committee,
United States Senate.

WAR DEPARTMENT,
THE ADJUTANT GENERAL'S OFFICE,
Washington, March 31, 1924.

CHAIRMAN FINANCE COMMITTEE,
United States Senate.

DEAR SIR: In accordance with the request of the Finance Committee of the United States Senate, there is transmitted herewith a table showing the estimated number of man-days so far as the Army is concerned that will be added, provided the present limiting date for adjusted compensation is extended from July 1, 1919, to October 1, 1919.

The estimate as to the total number of added man-days, both home and overseas, was obtained by multiplying the figure as to the number of discharges each week as shown by the weekly demobilization reports, by the number of days of added service beyond July 1, 1919, and adding thereto the number of man-days (92) credited to each of those men who yet remained in the service on October 1, 1919.

The estimate as to the number of added man-days of oversea service was obtained by multiplying the figure as to the number of men arriving in the United States from oversea service during the period July 1 to October 1, 1919, as shown by the passenger lists of the transports, by the number of days of added service beyond July 1, 1919. In this connection it is stated that under the policy of the War Department in effect at that time all emergency men returning from abroad were discharged immediately upon arrival or shortly thereafter. A percentage of 5 per cent was deducted from the figure obtained to represent the added service of those individuals of the permanent establishment who were not so discharged upon their return to the United States.

The estimate as to the number of added man-days of home service was obtained by subtracting the number of added man-days of oversea service from the total number of man-days of both oversea and home service.

Very respectfully,

ROBERT C. DAVIS,
The Adjutant General.

Estimate of added number of man-days for home and oversea service between July 1, 1919, and October 1, 1919

1. Number of added man-days for both home and oversea service between July 1 and Oct. 1, 1919.....	25, 242, 380
2. Number of added man-days of oversea service only for men arriving in United States from overseas between July 1 and Oct. 1, 1919.....	12, 377, 259
3. Number of added man-days of home service only between July 1 and Oct. 1, 1919.....	12, 865, 121

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