

EXECUTIVE SESSION—CONFIDENTIAL

**TO MAINTAIN THE CREDIT OF THE
UNITED STATES GOVERNMENT**

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

FRIDAY, MARCH 10, 1933



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[EXECUTIVE SESSION—CONFIDENTIAL]

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FRIDAY, MARCH 10, 1933

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

The committee met at 3 o'clock p. m., pursuant to call, in its hearing room in the Senate Office Building, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), King, George, Walsh, Barkley, Connally, Gore, Costigan, Bailey, Clark, McAdoo, Byrd, Loneragan, Reed, Couzens, Keyes, La Follette, and Hastings.

The CHAIRMAN. The committee will please be in order. Gentlemen, I am sure the committee is glad to see these new members on the committee. I have taken occasion to invite the members of the Economy Committee of the Senate, who investigated the subjects about which we will hear some witnesses, and also the Economy Committee of the House, to sit in on this proposition, in the hope that it might expedite the consideration of this bill and aid the committee in reaching some conclusion as quickly as possible.

The bill is not in printed form. It was sent to Senator Robinson, who has just introduced it, and has gone to the Government Printing Office, and we hope to have some copies some time this afternoon.

Mr. Douglas, representing the Treasury and the President, has a copy of the bill, and I suppose the committee will want to hear from Mr. Douglas in a discussion of the matter before us and in explanation of the bill. I have also asked General Hines and Mr. Roberts to be present. They have been consulted in the construction of the bill we have under consideration.

Senator WALSH. I take it that Mr. Douglas, of the Bureau of the Budget, will explain it to us first.

The CHAIRMAN. The committee will now be glad to hear Mr. Douglas. And when a copy of the bill is received from the Government Printing Office it will be made a part of this hearing at this point.

(The bill, S. 233, is here printed in full, as follows:)

[S. 233 Seventy-third Congress, first session]

A BILL To maintain the credit of the United States Government

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

VETERANS

SECTION 1. That subject to such requirements and limitations as shall be contained in regulations to be issued by the President, and within the limits

of appropriations made by Congress, the following classes of persons may be paid a pension:

(a) Any person who served in the active military or naval service and who is disabled as a result of disease or injury or aggravation of a preexisting disease or injury incurred in line of duty in such service.

(b) Any person who served in the active military or naval service during any war subsequent to the Civil War, including the Boxer rebellion and the Philippine Insurrection and who is permanently disabled as a result of wound or disease.

(c) The widow, child, or children, dependent mother or father, of any person who dies as a result of disease or injury incurred or aggravated in line of duty in the active military or naval service.

(d) The widow and/or child of any deceased person who served during any war subsequent to the Civil War, including the Boxer rebellion and the Philippine Insurrection and prior to the World War.

(e) For the purpose of subparagraph (b) of this section, the World War shall be deemed to have ended November 11, 1918.

SEC. 2. The minimum and maximum monthly rate of pension which may be paid for disability or death shall be as follows: For disability, from \$6 to \$275; for death, from \$12 to \$75.

SEC. 3. For each class of persons specified in subparagraphs (a) and (b) of section 1 of this title the President is hereby authorized to prescribe by regulation the minimum degrees of disability and such higher degrees of disability, if any, as in his judgment should be recognized and prescribe the rate of pension payable for each such degree of disability. In fixing rates of pensions for disability or death the President shall prescribe by regulation such differentiation as he may deem just and equitable, in the rates to be paid to veterans of different wars and/or their dependents and to be paid for

(a) Disabilities and deaths resulting from disease or injury incurred or aggravated in line of duty in war-time service;

(b) Disabilities and deaths resulting from disease or injury incurred or aggravated in line of duty in peace-time service;

(c) Disabilities and deaths not incurred in service.

SEC. 4. The President shall prescribe by regulation (subject to the provisions of section 1 (e) of this title) the date of the beginning and of the termination of the period in each war subsequent to the Civil War, including the Boxer rebellion and the Philippine Insurrection, service within which shall for the purposes of this act be deemed war-time service. The President shall further prescribe by regulation the required number of days of war or peace time service for each class of veterans, the time limit on filing of claims for each class of veterans and their dependents, the nature and extent of proofs and presumptions for such different classes, and any other requirements as to entitlement as he shall deem equitable and just. The President in establishing conditions precedent may prescribe different requirements or conditions for the veterans of different wars and their dependents and may further subdivide the classes of persons as outlined in section 1 of this title and apply different requirements or conditions to such subdivisions.

SEC. 5. All decisions rendered by the Administrator of Veterans' Affairs under the provisions of this title, or the regulations issued pursuant thereto, shall be final and conclusive on all questions of law and fact, and no other official or court of the United States shall have jurisdiction to review by mandamus or otherwise any such decision.

SEC. 6. In addition to the pensions provided in this title, the Administrator of Veterans' Affairs is hereby authorized under such limitations as may be prescribed by the President, and within the limits of existing Veterans' Administration facilities, to furnish to veterans of any war, including the Boxer rebellion and the Philippine Insurrection, domiciliary care where they are suffering with permanent disabilities and medical and hospital treatment for diseases or injuries incurred or aggravated in line of duty in the active military or naval service.

SEC. 7. The Administrator of Veterans' Affairs subject to the general direction of the President and in accordance with regulations to be issued by the President shall administer, execute, and enforce the provisions of this title and for such purpose shall have the same authority and powers as are provided in sections 425, 430, 431, 432, 433, 434, 440, 442, 443, 444, 447, 450, 451, 453, 455, 457, 458, 459, 459a, 459c, 459d, 459e, 459f, Title 38, U. S. C., and such

other sections of title 38, U. S. C., as relate to the administration of the laws granting pensions.

SEC. 8. The Administrator of Veterans' Affairs is hereby authorized in carrying out the provisions of Title I of this act or any other pension act to delegate authority to render decisions to such persons or persons as he may find necessary. Within the limitations of such delegations, any decisions rendered by such person or persons shall have the same force and effect as though rendered by the Administrator of Veterans' Affairs. The President shall personally approve all regulations issued under the provisions of this title.

SEC. 9. Claims for benefits under this title shall be filed with the Veterans' Administration under such regulations, including provisions for hearing, determination, and administrative review, as the President may approve, and payments shall not be made for any period prior to date of application. When a claim shall be finally disallowed under this title and the regulations issued thereunder, it may not thereafter be reopened or allowed.

SEC. 10. Notwithstanding the provisions of section 2 of this title, any person who served as an officer of the Army, Navy, or Marine Corps of the United States during the World War, other than as an officer of the Regular Army, Navy, or Marine Corps, who made valid application for retirement under the provisions of Public No. 506, Seventieth Congress, enacted May 24, 1928, sections 581 and 582, Title 38, United States Code, and who prior to the passage of this act has been granted retirement with pay, shall be entitled to continue to receive retirement pay at the monthly rate now being paid him if the disability for which he has been retired resulted from disease or injury or aggravation of a preexisting disease or injury incurred in line of duty between April 6, 1917, and November 11, 1918: *Provided*, That the disease or injury or aggravation of the disease or injury directly resulted from the performance of military or naval duty, and that such person otherwise meets the requirements of the regulations which may be issued under the provisions of this act.

SEC. 11. All offenses committed and all penalties or forfeitures incurred under the acts repealed by section 17 of this title may be prosecuted and punished in the same manner and with the same effect as if said repeal had not been made and any person who forfeited rights to benefits under any such acts shall not be entitled to any benefits under this title.

SEC. 12. That whoever in any claim for benefits under this title or by regulations issued pursuant to this title, makes any sworn statement of a material fact knowing it to be false, shall be guilty of perjury and shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

SEC. 13. That if any person entitled to payment of pension under this title, whose right to such payment under this title or under any regulation issued under this title, ceases upon the happening of any contingency, thereafter fraudulently accepts any such payment, he shall be punished by a fine of not more than \$2,000 or by imprisonment for not more than one year, or both.

SEC. 14. That whoever shall obtain or receive any money, check, or pension under this title, or regulations issued under this title, without being entitled to the same, and with intent to defraud the United States or any beneficiary of the United States, shall be punished by a fine of not more than \$2,000, or by imprisonment for not more than one year, or both.

SEC. 15. Any person who shall knowingly make or cause to be made, or conspire, combine, aid, or assist in, agree to, arrange for, or in any wise procure the making or presentation of a false or fraudulent affidavit, declaration, certificate, statement, voucher, or paper, or writing purporting to be such, concerning any claim for benefits under this title, shall forfeit all rights, claims, and benefits under this title, and, in addition to any and all other penalties imposed by law, shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not more than \$1,000 or imprisonment for not more than one year, or both.

SEC. 16. Every guardian, curator, conservator, committee, or person legally vested with the responsibility or care of a claimant or his estate, having charge and custody in a fiduciary capacity of money paid, under the provisions of this title, for the benefit of any minor or incompetent claimant, who shall embezzle the same in violation of his trust, or convert the same to his own use, shall be punished by a fine not exceeding \$2,000 or imprisonment at hard labor for a term not exceeding five years, or both.

SEC. 17. All public laws granting medical or hospital treatment, domiciliary care, compensation, pension disability allowance, or retirement pay to veterans

of the Spanish-American War, including the Boxer Rebellion and the Philippine Insurrection, the World War, or to former members of the military or naval service for injury or disease incurred or aggravated in the line of duty in the military or naval service except so far as they relate to persons who served prior to the Spanish-American War, and the retirement of officers and enlisted men of the regular Army, Navy, or Marine Corps, are hereby repealed, and all laws granting or pertaining to yearly renewable term insurance are hereby repealed, but payments in accordance with such laws shall continue to the first day of the third calendar month following the month during which this act is enacted. The Administrator of Veterans' Affairs under the general direction of the President shall immediately cause to be reviewed all allowed claims under the above referred to laws and where a person is found entitled under this act, authorize payment or allowance of benefits in accordance with the provisions of this act commencing with the first day of the fourth calendar month following the month during which this act is enacted and notwithstanding the provisions of section 9 of this act, no further claim in such cases shall be required: *Provided*, That nothing contained in this section shall interfere with payments heretofore made or hereafter to be made under contracts of yearly renewable term insurance which have matured prior to the date of enactment of this act and under which payments have been commenced.

SEC. 18. For the fiscal year ending June 30, 1934, pension, and/or any other monetary gratuity payable to former members of the military or naval service in wars prior to the Spanish-American War for service, age, disease, or injury, except retired pay of officers and enlisted men of the Regular Army, Navy, or Marine Corps shall be reduced by 10 per centum of the amount payable.

TITLE II

OFFICERS AND EMPLOYEES

SEC. 1. When used in this title—

(a) The terms "officer" and "employee" mean any person rendering services in or under any branch or service of the United States Government or the government of the District of Columbia, but do not include (1) officers whose compensation may not, under the Constitution, be diminished during their continuance in office; (2) the Vice President, Senators, Representatives in Congress, Delegates, and Resident Commissioners; (3) officers and employees on the rolls of the Senate and House of Representatives; (4) any person in respect of any office, position, or employment the amount of compensation of which is expressly fixed by international agreement; and (5) any person in respect of any office, position, or employment, the compensation of which is paid under the terms of any contract in effect on the date of the enactment of this title, if such compensation may not lawfully be reduced.

(b) The term "compensation" means any salary, pay, wage, allowance (except allowances for travel), or other emolument paid for services rendered in any civilian or noncivilian office, position, or employment, and includes the retired pay of judges (except judges whose compensation, prior to retirement or resignation, could not, under the Constitution, have been diminished), and the retired pay of all commissioned and other personnel of the Coast and Geodetic Survey, the Lighthouse Service, and the Public Health Service, and the retired pay of all commissioned and other personnel of the Army, Navy, Marine Corps, and Coast Guard, but does not include payments out of any retirement, disability, or relief fund made up wholly or in part of contributions of employees.

SEC. 2. For that portion of the fiscal year 1933 beginning with the first day of the calendar month following the month during which this act is enacted, and for fiscal year ending June 30, 1934, the compensation of every officer or employee shall be determined as follows:

(a) The compensation which such officer or employee would receive under the provisions of any existing law, schedule, regulation, Executive order, or departmental order shall first be determined as though this title (except section 4) had not been enacted.

(b) The compensation as determined under subparagraph (a) of this section shall be reduced by the percentage, if any, determined in accordance with section 3 of this title.

SEC. 3. (a) The President is authorized to investigate the facts relating to the cost of living in the United States during the six months period ending

June 30, 1928, to be known as the base period, and upon the basis of such facts and the application thereto of such principles as he may find proper, determine an index figure of the cost of living during such period. The President is further authorized to make a similar investigation and determination of an index figure of the cost of living during the six months period ending December 31, 1932, and each six months period thereafter.

(b) The President shall announce by Executive order the index figure for the base period and for each subsequent period determined by him under paragraph (a) of this section. The percentage, if any, by which the cost of living index for any six months period, as provided in paragraph (a) of this section, is lower than such index for the base period shall be the percentage of reduction applicable under section 3 (b) of this title in determining compensation to be paid during the following six months period, or such portion thereof during which this title is in effect: *Provided*, That such percentage of reduction shall not exceed 15 per centum.

SEC. 4. (a) Section 4 of an act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1934, and for other purposes, approved March 3, 1933, is hereby amended to read as follows:

"SEC. 4. (a) The provisions of the following sections of Part II of the legislative appropriation act, fiscal year 1933, are hereby continued in full force and effect during the fiscal year ending June 30, 1934, namely sections 105 (except subsections (d) and (e) thereof), 107 (except paragraph (5) of subsection (a) thereof and subsection (b) thereof), 201, 203, 206 (except subsection (a) thereof), 211, 214, 216, 304, 315, 317, 318, and 323, and for the purpose of continuing such sections, in the application of such sections with respect to the fiscal year ending June 30, 1934, the figures '1933' shall be read as '1934'; the figures '1934' as '1935'; and the figures '1935' as '1936'; and, in the case of section 203, the figures '1932' shall be read as '1933'; except that in the application of such sections with respect to the fiscal year ending June 30, 1934 (but not with respect to the fiscal year ending June 30, 1933), the following amendments shall apply:

"(1) Section 216 is amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: '*Provided further*, That no employee under the classified civil service shall be furloughed under the provisions of this section for a total of more than 90 days during the fiscal year 1934, except after full and complete compliance with all the provisions of the civil-service laws and regulations relating to reductions in personnel.'

"(2) Section 317 is amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: '*Provided further*, That no part of any appropriation for "public works," nor any part of any allotment or portion available for "public works" under any appropriation, shall be transferred pursuant to the authority of this section to any appropriation for expenditure for personnel unless such personnel is required upon or in connection with "public works." "Public works" as used in this section shall comprise all projects falling in the general classes enumerated in Budget Statement No. 9, pages A177 to A182, inclusive, of the Budget for the fiscal year 1934, and shall also include the procurement of new airplanes and the construction of vessels under appropriations for "Increase of the Navy." The interpretation by the Director of the Bureau of the Budget, or by the President in the cases of the War Department and the Navy Department, of "public works" as defined and designated herein shall be conclusive.'

"(b) All acts or parts of acts inconsistent or in conflict with the provisions of such sections as amended are hereby suspended during the period in which such sections, as amended, are in effect.

"(c) No court of the United States shall have jurisdiction of any suit against the United States or (unless brought by the United States) against any officer, agency, or instrumentality of the United States arising out of the application as provided in this section, of such sections 105, 107, 109, or 112, as amended, unless such suit involves the Constitution of the United States.

"(d) The appropriations or portions of appropriations unexpended by reason of the operation of the amendments made in subsection (a) of this section shall not be used for any purpose, but shall be impounded and returned to the Treasury.

"(e) Each permanent specific annual appropriation available during the fiscal year ending June 30, 1934, is hereby reduced for that fiscal year by such estimated amount as the Director of the Bureau of the Budget may determine

will be equivalent to the savings that will be effected in such appropriation by reason of the application of this section and section 7."

(b) Section 5 of the Treasury and Post Office appropriation act, fiscal year 1934, is hereby repealed.

(c) Section 6 of the said Treasury and Post Office appropriation act, fiscal year 1934, is amended to read as follows:

"Sec. 6. Section 215 of the legislative appropriation act, fiscal year 1933, shall be held applicable to the officers and employees of the Panama Canal and Panama Railroad Co. on the Isthmus of Panama, and to officers and employees of the United States (including enlisted personnel) holding official station outside the continental United States, only to the extent of depriving each of them of one month's leave of absence with pay during each of the fiscal years ending June 30, 1933, and June 30, 1934."

(d) The following sections of Part II of the legislative appropriation act, fiscal year 1933, are hereby repealed effective on the first day of the calendar month following the month in which this act is enacted; namely, sections 101, 102, 103, 104, 105 (except subsections (a), (b), and (c) thereof), 106, 107 (except paragraphs (1), (2), (3), and (4) of subsection (a) thereof), and 108.

(e) Subsection (a) of section 105 of the legislative appropriation act, fiscal year 1933, is amended to read as follows, beginning with the first day of the calendar month following the month during which this act is enacted:

"(a) The salaries of the Vice President and the Speaker of the House of Representatives are reduced by 15 per centum; and the salaries of Senators, Representatives in Congress, Delegates, and Resident Commissioners are reduced by 15 per centum."

Sec. 5. Retirement deductions authorized by law to be made from the salary, pay, or compensation of officers or employees and transferred or deposited to the credit of a retirement fund, shall be based on the regular rate of salary, pay, or compensation instead of on the rate as temporarily reduced under the provisions of this title.

Sec. 6. In the case of a corporation the majority of the stock of which is owned by the United States, to holders of the stock on behalf of the United States, or such persons as represent the interest of the United States in such corporation, shall take such action as may be necessary to apply the provisions of this title to offices, positions, and employments under such corporation and to officers and employees thereof, with proper allowance for any reduction in compensation since December 31, 1931.

Sec. 7. In any case in which the application of the provisions of this title to any person would result in a diminution of compensation prohibited by the Constitution, the Secretary of the Treasury is authorized to accept from such person, and cover into the Treasury as miscellaneous receipts, remittance of such part of the compensation of such person as would not be paid to him if such diminution of compensation were not prohibited.

Sec. 8. The appropriations or portions of appropriations unexpended by reason of the operation of this title shall not be used for any purpose, but shall be impounded and returned to the Treasury.

Sec. 9. No court of the United States shall have jurisdiction of any suit against the United States or (unless brought by the United States) against any officer, agency, or instrumentality of the United States arising out of the application of any provision of this title, unless such suit involves the Constitution of the United States.

TITLE III

AMENDMENTS TO LEGISLATIVE APPROPRIATION ACT, FISCAL YEAR 1933

SECTION 1. Sections 407 and 409 of Title IV of Part II of the legislative appropriation act, fiscal year 1933, as amended by section 17 of the Treasury and Post Office appropriation act, approved March 3, 1933, are amended to read as follows:

"Sec. 407. Whenever the President makes an Executive order under the provisions of this title, such Executive order shall be submitted to the Congress while in session and shall not become effective until after the expiration of sixty calendar days after such transmission, unless Congress shall by law provide for an earlier effective date of such Executive order or orders.

"Sec. 400. No Executive order issued by the President in pursuance of the provisions of section 403 of this title shall become effective unless transmitted to the Congress within two years from the date of the enactment of this act."

STATEMENT OF HON. LEWIS W. DOUGLAS, DIRECTOR BUREAU OF THE BUDGET, WASHINGTON, D. C.

Mr. DOUGLAS. Mr. Chairman, is it the desire of the committee that I should read the bill?

The CHAIRMAN. Would the members of the committee prefer to hear the bill read first, inasmuch as we have not copies on hand to distribute to you, or would you just like an explanation of the bill?

Senator WALSH. Might it not be better for him to read the bill?

Senator REED. Is it very long?

Mr. DOUGLAS. It is fairly long.

Senator REED. Suppose you just give us the substance of it, unless some member of the committee wishes it read in full.

Senator KING. Unless the bill is read how can we tell just what the provisions contain?

The CHAIRMAN. There are some 17 or 18 sections of the first part, which deals with soldiers' legislation; and then there are two sections only that I think deal with the furlough plan and reduction of pay of employees. I have not read the bill, but the explanation made to some of us by Mr. Douglas section by section seemed to be very clear. I think you gentlemen can quickly grasp it if he will make an explanation section by section.

Senator MCKELLAR. Why not let Mr. Douglas take up a section and comment on it as he goes along, without reading the entire language of the bill?

Senator McADOO. Yes; explain the bill section by section.

The CHAIRMAN. Mr. Douglas, it seems to be the desire of the committee that you shall give the substance of the bill, taking up a section and then making an explanation of it.

Mr. DOUGLAS. I shall be very glad to proceed just as may be the desire of the committee.

The CHAIRMAN. Very well. You may now proceed.

Mr. DOUGLAS. This is a bill entitled "To maintain the credit of the United States Government." It is divided into three titles. The first title has to do with benefits to veterans. The first section of the first title defines, subject to such regulations as the President may prescribe, the various groups and classes of veterans and their dependents to whom pensions may be paid.

Senator REED. Does that cover the Civil War and other past wars?

Mr. DOUGLAS. It does not cover them, in my opinion, in that connection, but I think there is a logical sequence to which we will come a little further along. There is one section of this title which has to do with Civil War pensions, but the first section does not have to do with Civil War pensions. It defines the groups and classes to whom pensions may be paid. And the first group is the group of service-connected cases of veterans of past wars who have sustained disability or injuries or acquired disease, or who have had a disease or previous injury aggravated in line of duty.

Senator REED. Is that to be established by evidence and not by presumption?

Mr. DOUGLAS. There is another section that has to do with that, Senator Reed.

Senator REED. All right.

The CHAIRMAN. You may proceed, Mr. Douglas.

Mr. DOUGLAS. The second group has to do with the so-called non-service-connected cases, providing that their disabilities must be of a permanent nature.

The third group has to do with the widows and dependents of veterans of any war since the Civil War who have died by reason of a service-connected disability, or disability or disease acquired in line of duty or aggravated by duty.

The fourth class has to do with the widow or dependent of a veteran of any war since the Civil War but prior to the World War who has died by reason of a nonservice-connected disability.

These, then, are the four classes eligible to pensions; subject, however, to such regulations as the President may prescribe.

Senator KING. Mr. Douglas, do you call them pensions or compensation, or both?

Mr. DOUGLAS. We call them pensions. The language is:

The following classes of persons may be paid a pension.

Senator KING. I just wanted to understand that.

Mr. DOUGLAS. For the purposes of the nonservice-connected group the first section defines the World War as having terminated on the 11th day of November, 1918.

Senator REED. Is that just?

Mr. DOUGLAS. For the nonservice-connected group?

Senator REED. Yes.

Mr. DOUGLAS. For the veterans of the World War to whom there may be paid a pension by reason of disability not acquired in line of duty?

Senator REED. How about a man who was taken ill with the flu on, say, the 12th of November, while in France with the expeditionary force?

Mr. DOUGLAS. This has not to do with them, Senator Reed, so far as it relates to nonservice-connected cases. But it does not relate to service-connected cases. In other words, if I do not make myself clear by that statement: In so far as the nonservice-connected cases are concerned, the World War is defined to have terminated on the 11th day of November, 1918. Now, the purpose of that definition is to exclude from the eligible group for nonservice-connected pensions those who enlisted voluntarily after the 11th day of November, 1918, and prior to the 2nd day of July, 1921.

The CHAIRMAN. Very well. You may continue, Mr. Douglas.

Mr. DOUGLAS. So section 1 defines those four large groups to which pensions may be paid. On its face it neither adds to nor subtracts from the groups now eligible to pensions.

Representative WOODRUM. Mr. Douglas, does it in any way affect Spanish-American War veterans?

Mr. DOUGLAS. This section does not on its face affect them. There is another section, however, to which I shall come, and under which the President has the power to issue regulations which may affect Spanish-American War veterans in accordance with regulations which the President may prescribe.

Senator WALSH. Service-connected cases still continue until July 2, 1921.

Mr. DOUGLAS. There is a section in the bill which has to do with that matter, Senator Walsh, if I may wait until I come to that section in its sequence?

Senator WALSH. Certainly.

Mr. DOUGLAS. Section 2 of this title of the bill defines minimum and maximum rates that may be paid for disabilities and for deaths. The minimum for disabilities is \$6 a month and the maximum is \$275 a month.

Senator KING. Is that maximum high?

Mr. DOUGLAS. It is the present rate. I might say that the minimum is also the present rate. I am not certain that that is too high for the man, say, who has lost two arms or two legs in the service.

Senator McKELLAR. Or two eyes.

Mr. DOUGLAS. Yes. I am not certain that that is too high for a man who has received a disability of such great magnitude as the loss of 2 arms or 2 legs or 2 eyes.

Senator KING. It is over \$3,000 a year?

Mr. DOUGLAS. Yes.

Representative McDUFFIE. And that includes any attendant he may have?

Mr. DOUGLAS. Yes.

Representative WOODRUM. That is for a battle casualty?

Mr. DOUGLAS. Yes; it is not a nonservice-connected case.

Senator McKELLAR. And you say that is the same limit that we have now?

Mr. DOUGLAS. Yes, sir.

General HINES. There are 34 such cases now.

Senator McADOO. I do not think it is too much for a case of that kind.

Mr. DOUGLAS. Frankly, for a man who was overseas and who was in the big show and was under fire and was shot to pieces, by a high explosive and lost 2 arms, or 2 legs, or 2 eyes, my honest opinion is that that is not too high.

Senator McKELLAR. I saw a man up here at the Capitol who I think had lost two eyes and probably both arms.

Senator COSTIGAN. And such a man, of course, requires an attendant constantly?

Mr. DOUGLAS. Yes, sir. And my sympathy goes out to such a man. He certainly gave something for his country.

Senator KING. Oh yes; there is no doubt about that.

Senator WALSH. He certainly did.

Senator McADOO. There are not many such cases, as I understand?

General HINES. Thirty-four cases of that kind now.

The CHAIRMAN. You may proceed, Mr. Douglas.

Mr. DOUGLAS. Section 3 of the bill gives to the President the power to prescribe regulations with respect to the minimum degree of disability which is pensionable and also any higher degree which may be pensionable and the rate for each degree. And then it gives him the additional power, in fixing the rates, to make differentiations between veterans of the various wars, and as between the origins of the disease or disability. By that I mean as between service-

connected cases who acquired disability in time of war in line of duty, as between cases who acquired disability in peace-time service; and as between men who acquired disability which in no wise is connected with war service.

Senator CONNALLY. Do you mean to change the rate?

Mr. DOUGLAS. He has the power to differentiate in establishing the rate.

Senator MCKILLIP. And to fix the rate.

Mr. DOUGLAS. Yes; as between the various groups.

Senator McVICO. And could he change them from time to time as well?

Senator KANE. If the fact should warrant?

Mr. DOUGLAS. Yes; I think he could do that.

Senator McVICO. Without making groups could he change a rate up and down as he will?

Mr. DOUGLAS. Yes; I think he can under the provision of the act.

Senator McVICO. Either up or down?

Mr. DOUGLAS. Within the maximum and minimum limit. I think he could set a lower rate as he may see fit.

Senator ROBEY. And then is it a permanent application of the rate?

Mr. DOUGLAS. The act is a permanent law.

Representative WOODRUM. Under the terms of this so-called disability allowance. That is, the nonservice-connected payments, as I understand the prior payments, they are not interfered with, except that the President is given the power to fix them. They are not repealed in the ordinary sense of the words as that is understood?

Mr. DOUGLAS. They are not entirely repealed. Under this act the President, in so far as the nonservice-connected case is concerned and that is the case to which you are referring, as I understand that is, those who receive what is known as the disability allowance, the President has under this act the power to prescribe the degree of disability for which a pension shall be paid.

Representative WOODRUM. Does it contemplate that they will continue to be paid a pension of some kind, of some amount?

Mr. DOUGLAS. I do not know that all of them would. He may make a disability a permanent disability of 100 per cent. or—

Senator BYRNES (interposing). Does it limit it to a permanent and total disability?

Mr. DOUGLAS. No.

Mr. ROBEY. The provisions of this act do go to a certain class under conditions.

Representative WOODRUM. Suppose you explain that, Mr. Douglas.

Mr. DOUGLAS. Well, Mr. Woodrum wanted to know whether all payments on account of nonservice-connected disability of World War veterans were repealed and made impossible under the provisions of this act.

Mr. ROBEY. It is specifically provided that they shall be paid to the third calendar month, and then that each class, with the differentiation that may be made under the regulations of the President, they will be entitled to and will draw the amounts he prescribes for each group.

Mr. DOUGLAS. But the act does not prohibit the payment of a disability allowance.

Senator WALSH. He could make a regulation putting the minimum payments for disability allowance at 50 per cent, say, rather than 25 per cent as now.

Mr. DOUGLAS. Exactly, or he could raise it to 75 per cent.

Senator HASTINGS. Mr. Douglas, could you briefly refer to just what authority the President will have as provided for in your bill? What does the bill say? What is the language used in the bill?

Mr. DOUGLAS. Do you want me to read it?

Senator HASTINGS. Yes; or explain it.

Mr. DOUGLAS. That is section 3:

For each class of persons specified in subparagraphs (a) and (b) section 1

And that has to do with service connected and non-service connected groups—

Senator GORE (interposing). Let me get that, please.

Mr. DOUGLAS. I continue reading:

of the title the President is authorized to prescribe by regulation the minimum degree of disability and such higher degrees of disability if any, as in his judgment should be recognized and prescribe the rate of pension payable for each such degree of disability. In fixing rates of pension for disability or death the President shall prescribe by regulation such differentiation as he may deem just and equitable in the rates to be paid to veterans of different wars and of their dependents and to be paid for

(a) Disabilities and deaths resulting from disease or injury incurred or aggravated in line of duty in war-time service;

(b) Disabilities and deaths resulting from disease or injury incurred or aggravated in line of duty in peace-time service;

(c) Disabilities and deaths not incurred in service.

Senator HASTINGS. Well, is there any difficulty in writing into this bill those very things that you have mentioned, and that you have there left to the President, so that the Congress might specify what the person should receive?

Mr. DOUGLAS. That could be done, Senator. But I might suggest it would be a very long and difficult thing to do if you are going to amend the existing laws.

Senator GORE. And you do not have any idea that you would be able to enact it in that form, do you?

Mr. DOUGLAS. I question very much if you could pass it.

Senator BARKLEY. Under this blanket authority, is there any minimum disability below which the President can not go?

Mr. DOUGLAS. No.

Senator BARKLEY. Then he could go below the present 25 per cent?

Mr. DOUGLAS. Yes.

Senator GORE. You do not mean, do you, that he could reduce it?

Mr. DOUGLAS. Yes.

Senator GORE. Well, I do not think he should be put under the strain and stress and worry of that.

Senator KING. If this bill is as liberal as your quite brief explanation would indicate—and it is brief because of our interruptions, probably—I have reached the opinion that this bill will not reduce expenses at all; and more especially, if you are going to start out with the assumption that persons having nonservice disabilities are going to be cared for. It would seem to me in that case that you might as well abandon the scheme, although I may be in error, and hope I am.

Mr. DOUGLAS. I think the Senator is in error. What savings can be effected under the provisions of the bill depend entirely upon the regulations to be prescribed by the President.

Senator McKELLAR. Have those who prepared the bill any general idea as to what savings may be effected? For instance, has General Hines or yourself any idea as to what savings may be effected under the provisions of the bill?

General HINES. I will be prepared to give you that when I am called upon to give an explanation of the bill.

Senator WALSH. Mr. Chairman, let us proceed with the general analysis of the bill and get that later.

Senator McADOO. I think it would be very helpful if Mr. Douglas were allowed to present his explanation of the bill, and then let us ask questions later.

The CHAIRMAN. Proceed with your explanation, Mr. Douglas.

Mr. DOUGLAS. The next section provides that the President may by regulation define the beginning and the termination of a war and the period of service within those limits which shall be deemed war-time service. There is a reason for that. In certain instances— or, let me say it this way: After the 11th day of November, 1918, there were peace-time enlistments. There were no longer any inductions into the service; and yet, in spite of the fact that the war terminated on November 11, 1918, those who enlisted after the armistice and prior to July 2, 1921, are entitled to the benefits of the World War veterans. So that it seems—

Senator McADOO (interposing). You mean, under the existing law?

Mr. DOUGLAS. Yes.

Senator McADOO. Go ahead. Pardon me.

Mr. DOUGLAS. So that it seemed desirable to eliminate that particular group from the benefits granted to World War veterans. At the same time, as the Senator will recall, during that same period there was the Siberian Expeditionary Force, which was engaged at intervals in active hostilities and in which there were a good many casualties. Those casualties were of a war-time nature.

Senator COSTIGAN. Were there many who enlisted subsequent to November 11, 1918, who were disabled? I mean the men in the Siberian Expeditionary Force?

Senator LONERGAN. I know that some of them were disabled.

Senator McADOO. I understand there were some who were injured.

Representative McDUFFIE. There are 13,000 now drawing compensation that enlisted after that time.

Mr. DOUGLAS. This is to let the President make an accurate definition, to the end that the war-time casualty is taken care of, and the nonwar-time casualty is stricken therefrom.

Senator REED. Could you distinguish between those whose service was only in this country and those who were at the front, I mean under this bill?

Mr. DOUGLAS. I should think he could.

Senator REED. For instance, the officer stationed on duty in Washington throughout the war and who saw no actual hostilities.

Mr. DOUGLAS. Yes; I think he could. I think I will come to language in this same section which gives him that power.

Senator REED. All right.

The CHAIRMAN. Go ahead with your explanation of the bill, Mr. Douglas.

Mr. DOUGLAS. As I was saying, section 4 permits the President to define the beginning and the termination of a war and the period within those extremes which is construed to be war-time service.

Senator WALSH. That is true also of other types of service?

Mr. DOUGLAS. Yes, sir.

Senator WALSH. And he could restrict those limits that are now understood to be covered to the actual combat period.

Mr. DOUGLAS. Yes, sir.

Senator WALSH. All right.

Mr. DOUGLAS. The next thing that section 4 does is to permit him to prescribe by regulation the required number of days of service of either war or peace-time service for each class of veteran, the time limit within which claims must be filed, the nature and extent of proofs which must be submitted, the presumptions if any, and any other requirement as to entitlement, as he shall deem equitable and just.

Now, under that language, Senator Reed, the President could make differentiations between an officer who sat behind a mahogany desk in Washington and an officer who had a .45 gat around his waist in France. He could I think under that loose language deal with the more than 3,000 as I recall the figures, veterans who are drawing substantial salaries from the United States Government. He could under that language impose income limitations. He could do all those things.

Senator WALSH. And also deal with presumptions?

Mr. DOUGLAS. Yes; with respect to presumptions.

Senator WALSH. As to certain diseases that are presumed to have been connected with the service, and other diseases not so connected?

Mr. DOUGLAS. Yes. And he could with respect to each individual disease prescribe a period of presumption. I think there is a definite period of presumption for each disease, and he could, as supported by medical evidence with respect to each disease, define the period of presumption, instead of as now being bound by the 7-year inflexible period of presumption which applies to four types of disease which are nonrebuttable.

Senator GORE. Do you mean that he could enlarge that?

Mr. DOUGLAS. He could.

Senator GORE. Could he reduce the number of days from, say, 90 to 60?

Mr. DOUGLAS. Yes.

Senator GORE. Well, I take it, that goes on the theory that the chief administrative officer will be in sympathy with economy. But you have got to calculate on the possibility that some day there may be a chief administrative officer elected by the soldiers, who would want him to go forward, go the other way. I want to fix it so he can retrench and economize.

Mr. DOUGLAS. That is what this bill is for. I want to protect him and also the Public Treasury. I would not be in favor of his raising this, say, to a 9-year presumption.

Senator GORE. Those men who are disabled by reason of being in combat I am strongly for, and if we are going to protect the Treasury, we also must protect them.

Senator LONERGAN. Well, if a man was disabled in the service, it does not make any difference whether it was in combat or not. I have had some cases where men were killed and disabled while in camp, and I do not see that there is any difference.

Senator GORE. If you limit it to combat or overseas service, that is one thing. If it is elastic there will be no end to the pressure that will be brought upon the Congress or the President. You must take that into consideration.

Mr. DOUGLAS. May I say this: I failed to say, and Mr. Roberts has called my attention to the fact that in section 1 the language is subject to such requirements and limitations as shall be provided in regulations to be issued by the President, and within the limits of appropriations made by the Congress. In other words, should there be a Chief Executive who would construe this piece of legislation to increase unduly the pension burden, he could not do it unless the Congress appropriated the money permitting him to do it.

Senator CONNALLY. And if he has his party with him he can do it.

Mr. DOUGLAS. Yes; if he had his party with him. But in that case he could have enacted express legislation accomplishing the same thing.

Senator CONNALLY. But he would not get the same reaction.

Mr. DOUGLAS. Perhaps that is true.

Senator GORE. Any man killed over here ought to be taken care of under a special act; shouldn't he?

Mr. DOUGLAS. I am in entire accord with the Senator in his thought that this legislation should not be used for the purpose of increasing the cost. There isn't any disagreement between us on that.

Senator WALSH. Mr. Chairman, suppose we let Mr. Douglas proceed with his explanation of the bill.

The CHAIRMAN. Proceed with the next section, Mr. Douglas.

Mr. DOUGLAS. Section 5 provides that all decisions rendered by the Administrator of Veterans' Affairs shall be final, and that no official or court of the United States shall have jurisdiction to review such decision by mandamus or otherwise.

Senator WALSH. Does that apply to insurance?

Mr. DOUGLAS. No. And if the Senator will wait a minute there is a provision in the bill that has to do with the yearly renewable insurance—the term insurance.

Senator WALSH. Would it deny to the Comptroller General the right to review, as he does now?

Mr. DOUGLAS. No; I don't think it would.

Mr. ROBERTS. I think it covers that.

Mr. DOUGLAS. Yes. It says "And no other official." The Comptroller General, I do not believe, has any power now to review the decisions.

Senator WALSH. Yes, he has; and he has made a lot of trouble in that regard.

General HINES. The Comptroller General has no authority on findings of fact and law that pertain to compensation or disability allowance. But there are some titles under the present act that go to the Comptroller General. As I understand the bill, this leaves the decision of the administrator exactly as it now is under the same provisions of law. Only on claims is a finding of fact, well, both of fact and law, binding.

Senator BARKLEY. The subsequent section with respect to renewable insurance does not apply to those provisions which seemingly would prevent any person from going into a Federal court to bring suit on an insurance policy; is that correct?

Mr. DOUGLAS. A subsequent section repeals the renewable yearly term insurance.

Senator REED. In other words, it requires its immediate conversion?

Mr. DOUGLAS. It does more than that.

Senator REED. Well, pardon me. Go ahead.

Mr. DOUGLAS. Section 3 provides, subject to such limitations as the President may prescribe, for the domiciliary care of permanently disabled nonservice-connected cases, and provides for medical treatment and for hospitalization of the service-connected cases.

Senator WALSH. In other words, it substitutes for the present law the act of the President.

Mr. DOUGLAS. Yes, sir.

Representative WOODRUM. Isn't this true about the whole thing: That it gives the President absolute authority over veterans' cases. That is the whole story in a nutshell, isn't it?

Mr. DOUGLAS. Subject to the limitations in section 1; yes.

Representative WOODRUM. If you would note that, the whole thing is said and done. He has absolute carte blanche authority, with the exception of the limitations in section 1.

Mr. DOUGLAS. Yes; there are some limitations there.

Senator GORE. To raise and reduce amounts and to increase or decrease conditions.

Representative TABER. Shouldn't there be a limitation to the effect that the amount of the compensation for certain troubles should not be increased? If we do not have that limitation in the bill, it seems to me the President is just asking for authority to cut, and we ought not to give him authority to raise for his own protection.

Senator WALSH. Well, there may be some cases where the inequalities are such that he ought to raise the compensation.

Representative WOODRUM. Yes; there are some rank cases on that side as well as on the other side.

Senator BARKLEY. Of course, you can not presume by this act that every award made by the Veterans' Bureau is giving exact justice. You have to have some leeway to raise the sum awarded if there has been any technical or other mistake.

Representative TABER. I do not mean what you mean, Senator. I mean this: That for a given disability the compensation should not be increased. I do not mean that cases should not be reviewed and determined on their merits. But I do mean that under the regulations a raise in compensation should not be made.

Senator WALSH. Well, I think he ought to have the power to do both.

The CHAIRMAN. Proceed with your explanation of the bill, Mr. Douglas.

Mr. DOUGLAS. Section 7 simply reenacts the provisions of existing law having to do with administration and organization. Without section 7 of the bill there would not be any organization to administer the veterans' benefits at all.

Section 8 of the bill authorizes the Administrator of Veterans' Affairs to delegate authority to render decisions but provides that the President must personally approve any regulation issued under the provisions of the act.

Senator WALSH. What does that mean, to delegate authority?

Mr. DOUGLAS. Well, it means very much what is being done now. There are approximately more than a million World War veterans drawing cash benefits every month. It would be impossible for the administrator himself to render a decision with respect to each one of these million cases. So he now delegates the authority to render decisions.

Senator WALSH. I thought he approved them as a matter of form at least.

Mr. DOUGLAS. He does not approve those cases that are not appealed to him. He does not act upon those cases which are not appealed to him.

Senator WALSH. But he signs a certificate authorizing payment, does he not?

Mr. DOUGLAS. I will let General Hines answer that question.

General HINES. There is authority at the present time for the administrator to delegate to others who make the final adjudication in various types of claims. Those men are delegated usually to adjudicate cases in the way of making findings of fact and law, and giving the reason for a particular finding. Those cases that come to me personally are those on appeal or involving some controversial question or a large award or something of that kind.

Senator WALSH. So the final award is made in some cases without your sanction?

General HINES. In hundreds, or I might say in thousands, of cases in which an award is made in the field by a rating board.

Mr. DOUGLAS. This is simply to make possible what is now being done.

Senator KING. These rating boards are now recommended by whom?

General HINES. They are recommended by the regional boards and approved by the administrator.

Senator REED. Have you any objection to making ineligible for such work any person who himself is receiving a pension—receiving compensation?

General HINES. I think it would be a healthy situation.

Senator MCKELLAR. There is no inhibition against such rating officer in your bill, is there?

Mr. DOUGLAS. In answer to the question asked by Senator Reed, which had to do with a broader question than the one which you ask but is fundamentally the same question, I stated that there was language in the act which would permit the President to deny to any person in the employ of the Government and receiving more than such and such a salary, any benefits.

Senator McKELLAR. My question is not merely eligibility of members of this board, but anyone who is drawing double payments from the Government.

Mr. DOUGLAS. Yes.

Senator WALSH. Yes. Such legislation has already passed the Senate, I believe, permitting a limitation upon the amount of salary and compensation.

Mr. DOUGLAS. Senator, let us take the case of a man who lost an arm; he was hit with a piece of high explosive, we will say, and had his left arm taken off at the shoulder. Would you say that because he received a badge of honor in the form of compensation from his government that he would not be eligible to work for his government?

Senator CONNALLY. No; not ineligible to work for his government, but not on this board.

Senator WALSH. On an adjudication board.

Senator CONNALLY. Yes; not on an adjudication board.

General HINES. Mr. Chairman, may I say a word?

The CHAIRMAN. Mr. Douglas, General Hines wants to interrupt a moment.

Mr. DOUGLAS. Certainly.

General HINES. I want to make my position very clear. I do not want you to understand me as I do not intend to be understood, gentlemen. My point is not that there is danger of an individual doing anything wrong. I think when we give these ex-service men a position on these boards, a man is in better position to do service in the bureau, not to serve on these boards, but some other service; not that he is not honest about the matter, but another man might be in better position to judge the situation.

Senator McADOO. You mean to have him on boards where his judgment will not be affected by his experience?

General HINES. Yes, sir.

Mr. DOUGLAS. And not prejudiced.

General HINES. And not prejudiced.

Senator KING. Yes; not prejudiced. The evils of the present system, as I understand, are exemplified by the prodigality or the ease with which a man can get compensation from a board consisting of persons who are receiving compensation, and acting on boards that gave them compensation.

General HINES. Senator, I have a good deal of faith in our boards. I know there is that feeling, but the difficulty with the emergency officers' act is the generosity of the old war veterans' act. And using the professional table, as it gives the professional man, doctors and lawyers, a higher compensation, where if they were not doctors and lawyers they would not get so much.

Senator GORE. How did so many doctors happen to become disabled?

General HINES. I did not get the question, Senator.

Senator GORE. How did so many doctors happen to be casualties? How did they happen to sustain so many injuries?

General HINES. Well, I can explain that briefly, I think, without taking up too much time. You will find that the War Department took into the service a large number of doctors at advanced ages and subjected them to military training, and in the preliminary

training many of those men broke down. And I think the medical men have some advantage over the men in the ranks. They did know the medical work, but were not able to stand the hard training.

Senator REED. They were not examined when they were taken in, and were presumed to be sound, so every disease that was found when they went out of the Army was charged to the service and presumed to be contracted while in the service.

General HINES. I made an investigation of the variant to the doctors and lawyers, and it shows that many more gained retirement as a result of this high variant.

Senator GORE. Many doctors did not do any fighting at all.

General HINES. They were in our military service and did the work they were required to do.

Senator GORE. But not any actual fighting.

General HINES. But that accounts for the high percentage of doctors' disabilities.

The CHAIRMAN. You may go ahead, Mr. Douglas.

Senator GORE. The real fighting and battles, they were not in them.

The CHAIRMAN. Proceed, Mr. Douglas.

Mr. DOUGLAS. The next section, section 9, provides for regulations to be issued by the President having to do with hearings, determination, and review of cases; and provides that payment shall not be made for any period prior to the date of application, and provides that when a claim shall be finally disallowed it can not be reopened.

Senator McKELLAR. Mr. Douglas, is it contemplated by this bill that the entire millions of men now being compensated shall have their cases reexamined and rearranged?

Mr. DOUGLAS. Yes, sir.

Senator McKELLAR. And that the compensation shall stop until that is done?

Mr. DOUGLAS. No, sir; it is contemplated that the compensation shall be stopped for three months, and that there shall be a review, and that the new compensation shall be based on the review.

Senator GEORGE. The retroactive provision is out?

Mr. DOUGLAS. Yes, sir.

Senator GEORGE. And it shall be based on a reexamination?

Mr. DOUGLAS. Yes, sir.

Senator WALSH. If desirable?

Mr. DOUGLAS. Yes, sir.

Senator CONNALLY. You said a moment ago that when a case is finally decided it shall not be reopened. Of course when it is finally decided it is not reopened, but what is finally decided? Do you mean he can not go into the facts at all?

Mr. DOUGLAS. When, after a review on appeal, an adverse decision is rendered, the case is closed.

Senator McADOO. Is the President supposed to act on these cases finally?

Mr. DOUGLAS. No, sir.

Senator McADOO. He is not the sole judge, then?

Mr. DOUGLAS. No; he can set up the method by which the—

Senator McADOO (interposing). By limitation?

Mr. DOUGLAS. Yes, sir. He can set up the method by which the review shall be had, and set up a board for appeal.

Senator McADOO. And fix the compensation?

Mr. DOUGLAS. He would have to fix the rate of compensation.

Senator McADOO. That is what I mean, for these boards of review?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. All right, Mr. Douglas. Let us proceed.

Senator KING. The President would set up the rate of compensation, and the board would find the category into which the veteran would fall, and then their decision as to the category into which he would fall would be final?

Mr. DOUGLAS. Yes, sir.

Senator KING. And does that mean insurance, as well as allowances?

Mr. DOUGLAS. There are 560,000 cases that have been battling around from the Veterans' Bureau to the courts and the divisions of the bureau for many years. It is very easy for a man to reopen a case by getting affidavits from some of his comrades, and on an affidavit any case can be reopened.

Senator KING. Yes.

The CHAIRMAN. The next section, Mr. Douglas.

Mr. DOUGLAS. The next section, section 10, has to do with the emergency officers' retirement act. It limits the benefits to those who prior to November 11, 1918, sustained a disability in the line of duty, and who can demonstrate a causative factor for such disability.

Senator REED. Without any presumption?

Mr. DOUGLAS. Absolutely no presumption at all.

Senator KING. It is limited to those who sustained the injury prior to November 11, 1918?

Mr. DOUGLAS. It is limited to those whose disability is directly traceable to war service, prior to November 11, 1918, and who can demonstrate a causative factor.

The CHAIRMAN. Go to the next section, Mr. Douglas.

Mr. DOUGLAS. Sections 11, 12, 13, 14, 15, and 16, as I understand it, reenact present provisions of the law imposing penalties for the filing of fraudulent affidavits and making fraudulent statements, and for the misuse by guardians of funds in an estate.

There is nothing new in any one of those sections.

General HINES. They are the penal statutes.

Mr. DOUGLAS. Yes; they are the penal statutes.

The CHAIRMAN. Let us go to section 17.

Mr. DOUGLAS. Section 17 deals with granting medical or hospital treatment, domiciliary care, compensation, pension disability allowance, or retirement pay to veterans of the Spanish-American War, including the Boxer Rebellion and the Philippine Insurrection, the World War, or to former members of the military or naval service for injury or disease incurred or aggravated in the line of duty in the military or naval service, except so far as they relate to persons who served prior to the Spanish-American War, and the retirement of officers and enlisted men of the Regular Army, Navy, or Marine Corps, and those laws are repealed.

Senator GORE. There is no provision for hospitalization?

Mr. DOUGLAS. Yes; there is a provision, Senator, which I formerly referred to, under regulations which the President may prescribe, and it does or may very materially restrict the universal hospital facilities, and so on.

Senator WALSH. In other words, he is given the power to say who shall go to a hospital, or who may go, and so forth.

Mr. DOUGLAS. Yes; except the present act provides for free hospital service.

Senator WALSH. That is now provided by law.

Mr. DOUGLAS. Yes, sir.

Senator GORE. Does it give the present privilege for the construction of hospitals at a cost of \$2,000,000 or \$3,000,000?

Mr. DOUGLAS. No; but I think if this act becomes law, that that construction should be greatly decreased.

Senator WALSH. This section does not repeal the Civil War veterans' rights?

Mr. DOUGLAS. No, sir.

Senator WALSH. Or the benefits of pensions?

Mr. DOUGLAS. No, sir. You asked me the question about the Civil War veterans, and that is the last section in the act.

Senator WALSH. And that is left in status quo?

Mr. DOUGLAS. With the exception that the last section in the act imposes a 10 per cent cut.

Senator WALSH. On all pensions?

Mr. DOUGLAS. On Civil War pensions, and pensions of veterans prior to the Spanish-American War; and that is for the next fiscal year only.

Senator GORE. What is that?

Mr. DOUGLAS. That is for the next fiscal year only.

Senator WALSH. You will have a cut in the pensions of all veterans for the next year.

Mr. DOUGLAS. Yes; and that applies only for the next fiscal year.

Senator BARKLEY. This repealer practically repeals all existing law, and makes this a substitute for it?

Mr. DOUGLAS. Yes, sir. Section 17 repeals what is known as the yearly renewable term insurance, except in so far as payments are now being made under contracts which have matured prior to the date of the enactment of this bill.

Senator McADOO. What is substituted for that?

Mr. DOUGLAS. Nothing.

Senator McADOO. They are just cut off?

Mr. DOUGLAS. Yes, sir.

Senator McADOO. They can not maintain their insurance any longer?

Mr. DOUGLAS. Oh, if they have converted their insurance, of course that goes on.

Senator REED. They still have their conversion rights.

Mr. DOUGLAS. They still have their conversion rights, and if they have converted it, this would not interfere with that.

Senator GORE. How can they do that?

Mr. DOUGLAS. Congress passed an act, I think, last year, allowing that.

Senator WALSH. An act giving them the right to convert?

Mr. DOUGLAS. Yes; but that does not refer to all insurance.

Senator WALSH. But they do lose it unless they convert it before July 1?

Mr. DOUGLAS. Yes, sir.

Senator McADOO. I am talking about the yearly renewable, term insurance. Is that affected by this? Are they allowed to continue that?

Mr. DOUGLAS. Yes; if they have converted it.

Senator McADOO. And if they have not converted it?

Mr. DOUGLAS. They must do it before July 1.

Senator McADOO. Under this act?

Mr. DOUGLAS. Yes, sir.

Senator WALSH. Extending it over for a year.

General HINES. The intention of this act was to stop the further insurance claims; to permit the converted insurance to run, and also permit the term insurance to run. It would prevent, under other sections, a re-rating of the term insurance under section 305, or the payment of a new insurance claim under certain sections of the act.

Does that cover it completely, Mr. Roberts?

Mr. ROBERTS. I think that ceased in 1927. There is no insurance carried under that now. There is a 5 year convertible policy, but that is a converted policy. And all claims on policies which ceased to exist in 1927, so far as carrying them now, they do not exist and can not be claims.

Senator GEORGE. Does that cut off pending claims?

Mr. ROBERTS. Yes; and all pending suits.

Senator GEORGE. Pending suits?

Mr. ROBERTS. Pending suits.

Senator McKELLAR. That is, a soldier who has a claim now in court on a \$10,000 policy, he would have to drop it?

Mr. ROBERTS. That is the way it is now.

Senator BARKLEY. As if he were demurred out of court.

Senator WALSH. In fact, the adjudication that the court might make is not possible?

Mr. ROBERTS. That is correct.

Senator REED. How many cases are now pending?

General HINES. About 20,000.

Senator REED. And what is the total liability under them; about \$200,000,000?

General HINES. It would run about \$200,000,000 if they were all won by the claimants; but at the rate we are winning it would amount to \$50,000,000 to \$60,000,000.

Senator WALSH. What percentage of the cases are you now winning?

General HINES. About 80 per cent.

Senator WALSH. That is a gradual increase since the depression?

General HINES. Yes; it used to run about 40 or 50 per cent.

Representative McDUFFIE. Suppose he is cut off in the courts; can he come back in any other way and file a claim?

Mr. DOUGLAS. If he files his claim with the Veterans' Administration and it is originally disallowed, there is provision under this act for a review of that claim; and if on review the claim is disallowed—

Senator KING (interposing). Review in the bureau.

Mr. DOUGLAS. Yes; or by such a body as the President may set up for that purpose.

Senator KING. Not reviewed by the courts?

Mr. DOUGLAS. No; not by the courts. And if, upon review, or after review, rather, the claim is disallowed, then that disallowance shall be final.

Representative TABER. That is as to the claim?

Mr. DOUGLAS. Yes, sir.

Representative TABER. Any claim is gone, then?

Mr. DOUGLAS. Yes.

Mr. MILLIGAN. Why is it necessary now to cut it off?

Mr. DOUGLAS. A person who got a 25 per cent disability 10 years ago— it is 12 years since he paid on his insurance policy, and he has allowed it to lapse, and he can come in now, in many cases, and get a total disability, and date his disability back and get his insurance, and apply it in that way, although he permitted it to lapse 10 or 12 years ago.

Representative MILLIGAN. If the bureau rerates him.

Mr. DOUGLAS. If the bureau rerates him, that is true. There is a difference between the permanent disability at the time of the war service and permanent disability a good many years after the war terminated and after he permitted his policy to lapse.

Senator KING. And the courts will submit to the jury the question whether or not he was disabled, and there is a good deal of testimony as to the origin of the disability, and he will attempt to show that away back when he was a baby he was disabled.

The CHAIRMAN. Mr. Douglas, section 18 extends the 16 per cent reduction for one year?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Now, will you go on to the other provisions?

Mr. DOUGLAS. Title II has to do with the compensation paid to officers and employees of the United States and the District of Columbia, and excludes certain officers.

Section 2 defines compensation as meaning any salary, pay, wage, allowance (except allowances for travel), or other emolument paid for services rendered in any civilian or noncivilian office, position, or employment; and includes the retired pay of judges (except judges whose compensation prior to retirement or resignation could not, under the Constitution, have been diminished), and the retired pay of all commissioned and other personnel of the Coast and Geodetic Survey, the Lighthouse Service, and the Public Health Service, and the retired pay of all commissioned and other personnel of the Army, Navy, Marine Corps, and Coast Guard, but does not include payments out of any retirement, disability, or relief fund made up wholly or in part of contributions of employees.

Senator GORE. That he may either raise or reduce them?

Mr. DOUGLAS. No; I am coming to what he can do in a minute.

Senator GORE. All right.

Senator BARKLEY. This simply gives the President blanket authority to reduce the compensation of officers and employees; it does not attempt in the act to make the reduction, does it?

Mr. DOUGLAS. It lays down a principle which the President shall follow.

Senator REED. What is that principle?

Mr. DOUGLAS. It is a cost of living principle. The act provides that the cost of living for the year 1928, or for the last half of the fiscal year ending June 30, 1928, shall be the base period, and that

the President shall take that period as 100. He shall then determine for the fiscal year 1933 the cost of living in that period.

Senator WALSH, 1933?

Mr. DOUGLAS, 1933—the first half of the year 1933, and he shall apply the percentage of the cost of reduction as between that period and the base period, and the compensation and pay of Federal employees, on that percentage, to begin on the first day of the first calendar month following the month during which the bill becomes a law; and provides that in no event can he reduce the pay more than 15 per cent.

Senator REED. That is in lieu of the present plan?

Mr. DOUGLAS. The furlough plan is repealed.

Senator WALSH. Is there a minimum wage that is exempted?

Mr. DOUGLAS. There is no minimum; and everybody is included.

Senator WALSH. The reduction would be at the same rate on a person getting \$3,000 as on one getting \$15,000?

Mr. DOUGLAS. The same rate of percentage.

The CHAIRMAN. What is the percentage?

Mr. DOUGLAS. No cut in excess of 15 per cent.

Senator GORE. And no increases?

Mr. DOUGLAS. No increases.

Senator GORE. In other words, he can fix salaries any way he wants to, going down?

Mr. DOUGLAS. Not exceeding 15 per cent.

Senator McADOO. And there is no appeal allowed from his review?

Mr. DOUGLAS. No; but he can not decrease it more than 15 per cent.

Senator GORE. And he takes 1928 as 100?

Mr. DOUGLAS. Yes, sir.

Senator GORE. Suppose a man were appointed in 1930, his base would still be considered with reference to 1928, would it not?

Mr. DOUGLAS. His rate of pay—perhaps I have not explained this very clearly. The pay is determined as being the pay which the man would have received had the economy act never been enacted.

Senator GORE. His pay in 1928, but now in 1930 the cost of living has declined, and suppose a man was on the pay roll then, his date line would not be 1928, but if he were appointed in 1930, his base would be 1930, when he went on?

Mr. DOUGLAS. No; his base would be exactly the same. He would be subject to the same percentage of cut as anybody else.

Senator GORE. That should not be, unless you convert it in some way or other into the salary he would have received in 1928.

Mr. DOUGLAS. This is not an effort to convert salaries into the terms of 1928; this is an effort to convert the conditions of living into the present rate.

Senator McADOO. It is an effort to bring the salaries into line with the present cost of living.

Mr. DOUGLAS. Yes, sir.

Senator McADOO. And you think this applies to Members of Congress? I am asking the question because I think there is a constitutional question that applies there.

Mr. DOUGLAS. What I have said so far does not apply to Senators or Representatives in Congress.

Senator McADOO. Is there anything anywhere that does?

Mr. DOUGLAS. There is a section that does; yes, sir.

Senator BARKLEY. Aside from the Constitution, which says Members of Congress shall receive compensation to be ascertained by law, which means they fix it themselves, and aside from that, do you think it is wise to have the Members of Congress included?

Senator LA FOLLETTE. Mr. Chairman, I ask for a little order in the committee. I can not hear.

The CHAIRMAN. The committee will please be in order, and we will proceed with the bill. Let there be just one question at a time. You may proceed, Mr. Douglas.

Mr. DOUGLAS. What I have just attempted to explain about the provisions of the act does not apply to officers whose compensation may not, under the Constitution, be diminished during their continuance in office; to the Vice President, Senators, Representatives in Congress, delegates and resident commissioners; and to officers and employees on the rolls of the Senate and House of Representatives; or to any person in respect of any office, position, or employment the amount of compensation of which is expressly fixed by international agreement; and any person in respect of any office, position, or employment the compensation of which is paid under the terms of any contract in effect on the date of the enactment of this title, if such compensation may not lawfully be reduced.

So the power of the President to apply this provision to the Senators and Representatives in Congress is denied. But there is another section in the bill which—

Senator McADOO (interposing). And we will reach that later.

Mr. DOUGLAS. We will reach that later. That was not drawn at the other end of the Avenue.

The CHAIRMAN. May I say, Mr. Douglas, and gentlemen of the committee, with reference to that: As the bill came down from the White House it did not contain any cut for the Senators and House Members. It was felt that it was not wise to do it. But Senator Robinson, who introduced the bill, did not think it wise to introduce the bill in that way, and it was felt that the salaries should be at a flat rate of \$8,500. We reduced it once to \$9,000, and it is put now at a flat \$8,500, and that section is in there. It applies to no one but Members of the House and Senators.

Senator McKELLAR. The President has nothing to do with that?

Mr. DOUGLAS. The President has nothing to do with it.

Senator McKELLAR. He has no discretion in connection with it?

Mr. DOUGLAS. No, sir.

Senator COUZENS. May I ask how this cost of living is fixed?

Mr. DOUGLAS. May I answer a question that was asked awhile ago, with reference to the power of the President to elevate the salaries and wages under the provisions of this act? I think it is questionable as to whether he has that power. He can reduce but he can not elevate above the present level.

Senator BARKLEY. You mean the present basic level?

Mr. DOUGLAS. Above the level if the economy act had not been enacted.

Senator LA FOLLETTE. That does not take care, Mr. Director, of the situation you mentioned a moment ago. If commodity prices should rise very rapidly there is no provision in there to take care of that.

Mr. DOUGLAS. There is this difference between what is proposed here and the furlough plan, or any straight flat rate. A straight flat rate would be fixed for the next fiscal year.

Senator LA FOLLETTE. Yes; I understand that.

Mr. DOUGLAS. And there would be no power to reduce or elevate that rate.

Senator GEORGE. In case of a very rapid rise of prices the Congress could act, of course.

Mr. DOUGLAS. Yes; the Congress could act.

Senator McADOO. It would be simple to write a provision in this bill to fix that.

Mr. DOUGLAS. Yes; it would be.

Senator McADOO. In case of a rise in commodity prices.

Mr. DOUGLAS. Yes, sir.

Senator McADOO. I think that would be wise.

Mr. DOUGLAS. Yes, sir.

Senator GORE. The civil-service employees can not go up and down all the time.

Mr. BARKLEY. Of course, the basic pay now is based upon the successive increases fixed by Congress. It is hardly probable that the prices would rise higher than they were when we passed the basic act.

Senator KING. Do you have anything in there repealing the classification act?

Mr. DOUGLAS. No, sir.

Senator KING. That should be repealed, because it has been productive of great harm and injustice.

Senator McKELLAR. What does it do with reference to promotions?

Mr. DOUGLAS. It carries those provisions of the economy act into effect; it continues them.

Senator McKELLAR. That is, it stops them as the economy act does?

Mr. DOUGLAS. Yes; it continues the provisions of the economy act. The CHAIRMAN. Is there any other provision in this proposal?

Mr. DOUGLAS. There is one more title, Senator, Title III.

Senator COUZENS. Before you go to that, may I ask Mr. Douglas if the President fixes the cost of living under this act?

Mr. DOUGLAS. Yes, sir.

Senator McKELLAR. Is there any board set up to determine that?

Mr. DOUGLAS. It provides, as he may determine, or see fit, I think it says.

Senator McADOO. He has the absolute power, under this bill, to do what he sees fit in that regard?

Mr. DOUGLAS. Yes, sir.

Senator LA FOLLETTE. Is there any objection to designating the cost of living index as now computed by the Bureau of Labor Statistics?

Mr. DOUGLAS. I do not know of any. There are three sets of indices—

Senator LA FOLLETTE (interposing). Well, I know that, from a statistical point of view; they are all subject to criticism to some extent.

Mr. DOUGLAS. Yes; they are.

Senator LA FOLLETTE. Nevertheless, it would seem to me that it would be more logical in legislative procedure to designate the agency, and that other agencies—that is, the one that I know of, the Industrial Conference Board, is a private organization—and it would seem to me, or at least I want to get your reaction to the suggestion of designating the index of the Bureau of Labor Statistics, because that is more or less official, although, I grant, it is subject to some criticism.

Senator GORE. It is a result of price index investigations.

Senator WALSH. Let us have the next section.

The CHAIRMAN. Is that all?

Mr. DOUGLAS. The next section has to do with the Treasury and Post Office appropriation act.

Senator LA FOLLETTE. There is one other question I wanted to ask you. Have you considered the possibility of including in this act discretionary power to take care of certain discrepancies in the cost of living in various communities? For instance, in the District of Columbia you may have one situation, and a different situation in the country as a whole. I know it is subject to argument, but I have heard the statement made over and over again that rents, for instance, have not declined in the District of Columbia in anything like the proportion they have in cities of comparable size that are of an industrial character, and it seems to me that some method might be devised that would be workable if there were power to make an adjustment for some of those flagrant variants in a situation as between the District of Columbia and other parts of the United States.

Mr. DOUGLAS. That was taken into consideration, Senator, and by reason of the pressing emergency and also by reason of the fact that it would be a very complicated thing to do the idea was rejected.

Representative TABER. Mr. Douglas, would you read the definition of "employee"?

Mr. DOUGLAS. It is employees and officers.

The terms "officer" and "employee" may mean any person—

Representative TABER (interposing). That is what I want.

Mr. DOUGLAS (reading):

The terms "officer" and "employee" mean any person rendering services in or under any branch or service of the United States Government or the government of the District of Columbia, but do not include—

And then the exceptions I mentioned.

Representative TABER. Does it include officers and enlisted men in the Army and Navy and Coast Guard?

Mr. DOUGLAS. Absolutely.

Representative TABER. You are sure of that?

Mr. DOUGLAS. Yes; absolutely.

Senator GEORGE. What are the exceptions?

Mr. DOUGLAS. Officers whose compensation may not, under the Constitution, be diminished during their continuance in office; the Vice President, Senators, Representatives in Congress, Delegates, and Resident Commissioners; officers and employees on the rolls of the Senate and House of Representatives; any person in respect of any office, position, or employment the amount of compensation of

which is expressly fixed by international agreement; and any person in respect of any office, position, or employment the compensation of which is paid under the terms of any contract in effect on the date of the enactment of this title if such compensation may not lawfully be reduced.

Senator WALSH. Does it include retirement pay?

Mr. DOUGLAS. Yes, sir.

Senator WALSH. That is treated as salary?

Mr. DOUGLAS. Yes, sir.

Senator KING. Mr. Douglas, I see no reason why employees of the Senate and House of Representatives should not be subjected to a reduction in salary the same as employees of the District of Columbia and of the United States Government.

Mr. DOUGLAS. It was felt that it was a matter for the Congress to take care of itself, and that the Executive should not have the authority over it.

Representative McDUFFIE. Have you completed that title?

Mr. DOUGLAS. That is the end of the title.

Representative McDUFFIE. Now, may I ask this question: Have you given thought to the setting up of a judicial board in the bureau which might give consideration to those cases on which suits have been filed for insurance claims, with a view to determining them, in view of the courts?

Mr. DOUGLAS. Yes, sir.

Representative McDUFFIE. In other words, here are 20,000 suits filed—and I must confess that I was surprised that in some instances this thing of filing suits has become a racket. I know of one firm that collected \$120,000 fees in the filing of suits. We may find suits without merit. Now it is rather hard to cut those men off without any redress whatsoever. And I wondered whether, in your study, you had given thought to setting up some tribunal in the bureau to take up those suits that are now in the District courts.

Mr. DOUGLAS. Yes; consideration has been given to that idea, and, although it has some merit, nevertheless—

Representative McDUFFIE. I am looking at it from the practical phase of getting this bill through quick.

Mr. DOUGLAS. Yes, sir.

Representative McDUFFIE. I think it should be done.

Senator REED. Is not the answer that the President would have power to do that in his power to establish bodies within the bureau?

Mr. DOUGLAS. Not in term insurance, Senator. I think the answer is, Mr. McDuffie, that the term having elapsed for those who have permanent disability, and permanent disability within a sufficient period after the termination of the war, have already been adequately provided for. It is rather difficult for me to conceive, by and large, after the expiration of 12 years, a person who has heretofore not been able to establish his claim.

Senator WALSH. Unless it be an error of judgment, which everybody is subject to.

Mr. DOUGLAS. Unless it be an error of judgment; yes, sir.

Senator GORE. There are about 330,000 of them!

Mr. DOUGLAS. No; about 25,000 insurance claims pending.

Senator GORE. I did not refer to those claims.

Senator McKellar. There are 20,000 to 25,000 of them?

Mr. Douglas. Yes, sir.

Senator George. Mr. Douglas, is there not a legal difficulty, a constitutional difficulty in cutting off the rights of the holder of this insurance?

Mr. Douglas. As I understand, no, Senator.

Senator George. Let me make myself clear. Not as to the policy by reason of the benefits given by the Government. The Government may restrict those benefits which it gave in the policy. But take the case of insurance which is alleged to have matured by reason of the permanent and total disability of the veteran at and before the lapsing of the policy, how could we cut off his rights. Of course, the Government might minimize its suit, but that would be a legal liability right off. I do not think we could divest him of that right.

Mr. Douglas. In that particular case, possibly not, although the courts have held that the yearly term insurance is not a contractual obligation existing between the United States and the veteran. A yearly term insurance has accrued because the Government assumed a very large part of the liability against the Government.

Senator McAldoo. It assumed the extra hazardous risk.

Mr. Douglas. Yes, sir.

Representative McGugin. Mr. Douglas, is it not going quite far for the Government to say that where suits may be filed they may not be prosecuted? Suits have been filed that they have not been able to get into the courts. Some claimants may have been able to get into the courts and try their cases, and others have not been able to try theirs, and here we come along and chop it off. It seems to me it is going a long ways. A man with a similar claim who got his case tried came in and has got his money and is gone.

Mr. Douglas. Well, mind you, those cases that are in litigation have been before the Veterans' Administration for many years; they have been reviewed and reviewed and finally disallowed. As I understand it, the Administrator of Veterans' Affairs is very reluctant to disallow a case having to do with insurance. I will let the General speak of that for himself.

Representative McGugin. It seems to me we should have some provision in the bill to take care of that.

The Chairman. When Mr. Douglas finishes we are going to have General Hines, and he might elaborate on some of those provisions.

Mr. Douglas. The next title, Mr. Chairman, amends sections 407 and 409 of Title IV of Part II of the legislative appropriation act, fiscal year 1933, as amended by section 17 of the Treasury and Post Office appropriation act, approved March 8, 1933, having to do with the power of the President to make Executive orders, and making it necessary for an Executive order to lie over for 60 days while Congress is in session for the entire period.

The reason for that is this: If the Congress meets, we will say, in April sometime and the President should submit executive orders for an elimination, and Congress should adjourn prior to the 60 days, then the economies that might be effected otherwise could not be effected until some time in March of 1934, or another fiscal year, an entire fiscal year would have elapsed before the effect would be felt in the Budget.

Senator REED. Does this enlarge his powers to consolidate?

Mr. DOUGLAS. It does not enlarge his powers to consolidate, Senator, but does include that provision which requires it to lie over for 60 days while the Congress is in session.

Now I would like to point this out: Under this the President could submit an order one day before the Congress adjourns, and it having been submitted while Congress was in session, it would become effective after adjournment, although Congress was in session at the time the order was submitted.

Senator BARKLEY. That is the provision in the Treasury-Post Office bill?

Mr. DOUGLAS. Yes, sir.

Senator BARKLEY. There is nothing that requires him to submit to Congress his determination on the reduction of salaries, and so forth?

Mr. DOUGLAS. No; there is not.

Senator WALSH. Is there a provision in this bill requiring the President to transmit to Congress any orders or changes which he makes with reference to veterans' benefits?

Mr. DOUGLAS. No, sir.

Senator WALSH. Do you not think there should be a provision that Congress be notified as soon as he takes such action?

Mr. DOUGLAS. Yes, sir.

Senator WALSH. It is tantamount to making a law.

Mr. DOUGLAS. Yes, sir.

Senator WALSH. I think we should have a record of how he has modified and changed any statutory law.

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Mr. Douglas, is that all?

Mr. DOUGLAS. There is just one thing, Mr. Chairman, that I would like to say further, in reply to a statement made by one of my interrogators. I think it was stated that the title having to do with veterans gives complete and absolute power to the President to deal with veterans' benefits just as he may see fit. I do not think that is a fair statement of what that title does. That title lays down general broad principles, and within those principles the President has power; yes. But the title does not give absolute and complete and unlimited authority to him to deal with the veterans just as he sees fit.

Senator McADOO. That does not give him arbitrary power.

Mr. DOUGLAS. No, sir.

Senator McADOO. It is within certain limitations.

Mr. DOUGLAS. Yes, sir.

Senator KING. If certain facts exist, it gives him power.

Mr. DOUGLAS. Yes, sir.

Senator KING. Within those limitations.

Mr. DOUGLAS. Within those limitations.

The CHAIRMAN. If that is all, we will hear General Hines.

Senator GORE. It lays down general principles, and within these principles and limitations he can act?

Mr. DOUGLAS. Yes, sir.

Senator LONGRAN. Mr. Chairman, are we to have an opportunity to offer amendments?

The CHAIRMAN. Yes; in executive session.

Senator KING. I would like to make a suggestion that a bill be presented to deal with the classification act. I have had a great many complaints coming to me alleging gross injustices in the operation of that act. As an illustration, A and B are working side by side doing the same kind of work, and A is picked up and put in a grade three or four grades higher and his salary is doubled. And out of a large number of appeals that were taken to the board passing on these matters they have been without satisfactory results. And so many of these things have come to my attention, and so many salaries have been paid in excess of the work done, that I think it should be the subject of special attention of your committee in this bill or in some other legislation.

Mr. DOUGLAS. I thank you, Senators.

Senator WALSH. Would you repeal the power of that board, or set aside the findings of the last year or two?

Senator KING. I have seen the evils. I have not addressed myself to a measure that would rectify the abuses that manifestly exist.

Mr. DOUGLAS. I thank you, Mr. Chairman.

The CHAIRMAN. We thank you, Mr. Douglas.

We will hear General Hines.

STATEMENT OF BRIG. GEN. FRANK T. HINES, VETERANS' ADMINISTRATOR

The CHAIRMAN. General Hines, I presume you were consulted in the drafting of this proposal?

General HINES. I have seen a copy of it, Mr. Chairman.

Mr. Chairman and gentlemen of the committee, I will not cover the ground that Mr. Douglas has gone over, but to summarize generally my impression of the bill would simply mean this: that the bill outlines certain very definite principles regarding veterans' benefits; outlines certain benefits as to rates of compensation from \$6 to \$275.

Senator GORE. What is that?

General HINES. From \$6 to \$275 per month. Within those limits the bill gives the President authority to grant benefits and to amend existing Veterans' Bureau laws; to prescribe rates; to set up rules as to evidence; to set up rules as to presumptions. All presumptions are practically eliminated as they now exist in the law. But the President is given authority to cover certain definite presumptions, if he desires.

The effect of the bill will be very far-reaching. It covers generally all of the items submitted to the joint committee that has been studying veterans' benefits, both in the first group and many in the second group.

It revises entirely the rating principle by simplifying it; that is, instead of having a rating system that takes into account the pre-war occupation of the claimant, it eliminates that and puts the rates of compensation on average impairment for five different rates.

Senator WALSH. General, may I illustrate a change in rates? In any disability-allowance case, if the veteran is found to have a permanent disability of 20 per cent, he is given now a benefit of 25 per cent disability. Under this law it would be changed?

General HINES. It would be changed under this law; yes, Senator.

Senator WALSH. And under this law, if he has 5 defects of 5 per cent each, a total of 25 per cent, he is given 25 per cent?

General HINES. Under the existing regulations he could not count those 5, but if he had a total of 25—that is, two tens and one five, he would get 25 per cent.

Senator WALSH. He could change that?

General HINES. Yes, sir.

This has the effect that in disability allowances, in proper circumstances, it gives the President authority to change the rates of such percentage of disability as he may desire—from 10 to 20 or from 5 to 75.

Senator GORE. That is nonservice?

General HINES. That is nonservice, and service, also. Now, as I said, the effect is far-reaching.

Senator GORE. Just one question. Does that refer to the disabilities incurred on the field of battle?

General HINES. The President would have the right to fix the rate within the limits of \$6 to \$275, under such regulations as may be worked up under this bill and approved by him.

Senator GORE. A man wounded on the battlefield, it seems to me, should be rated higher.

General HINES. Under this bill the man would receive first consideration, and would receive compensation, hospitalization, and all benefits. The bill limits hospitalization to service-connected cases. However, it does permit the nonservice cases to be taken into a soldiers' home and through the soldiers' home to receive hospital care that is given in connection with that home.

Senator GORE. Do you mean that he may receive hospitalization at increased cost?

General HINES. This bill will not add to the cost; it will decrease the cost.

Senator COUZENS. How much?

Senator GORE. But he is sent to the soldiers' home for hospitalization.

General HINES. If this bill is passed there will be no further cost for hospital construction.

Senator GORE. If not hospitals, for soldiers' homes?

General HINES. It is my judgment that by the conversion of some of the hospitals into homes they will be practically sufficient. If not sufficient, they will be of small cost.

Senator LA FOLLETTE. What is the maximum amount of compensations possible to the veterans under this bill?

General HINES. I have that, Senator.

Senator KING. Before answering that, and apropos of the question, as I understand, of Senator Gore, I heard of a man who was in the Spanish-American War, and who received an injury, he was not even overseas, but he was later injured in an automobile accident, a man from California, and as a result of that he was taken to the hospital for treatment as a veteran.

General HINES. He would not be eligible under this bill.

Senator KING. But he would be eligible to go to a soldiers' home and then to the hospital there.

General HINES. Only in the event that he was permanently and totally disabled.

Senator KING. If he lost his leg—

General HINES (interposing). He would be temporarily totally disabled but not permanently totally disabled.

Senator KING. Why should the Government be responsible for that?

General HINES. The Government is not, but there was a rating given those men, and those men when they were permanently disabled they were taken into the hospitals.

Senator GEORGE. General Hines, as I heard the bill read, even hospital care is granted to a disabled man, and to a totally and permanently disabled man is granted hospital care under such a rating.

General HINES. Yes, sir.

Senator GEORGE. According to his need.

General HINES. Yes.

This bill would enable the President to make rules and regulations with reference to that. In other words, if he was able to take care of him, he might be hospitalized.

Senator KING. But in a case where a man was taken to a private hospital after he was injured, some representative of the bureau might come along and ask why he was not in a Government hospital and would take him to a Government hospital for care.

General HINES. There is no restriction now, only if there are two men and only one bed available, the man who was injured in the service would get the bed. The only test of need under the existing law is where you have only one bed and two men, the bed would go to the man who could not afford to pay for it.

Senator LA FOLLETTE. Will you answer my question now, General?

General HINES. Yes, Senator. We estimate if this bill becomes a law that the total savings, including some which will not be incurred, or incurred, say, for one year and then not to reach the same amount next year, will be \$383,585,000.

Senator LA FOLLETTE. Have you broken that down in your estimate?

General HINES. Yes, sir.

Senator LA FOLLETTE. Will you give that to us?

General HINES. Yes, sir.

Senator MCKELLAR. You are talking of the veterans' end of it?

General HINES. Yes, sir.

Representative MILLIGAN. General Hines, will you make plain to us the figures you are going to read?

General HINES. I was going to amplify that to this extent, Mr. Chairman, that these estimates are based upon existing conditions and existing rates. This amount may be much smaller. It could hardly be larger, depending upon the regulations which the President makes.

Representative MILLIGAN. You mean the amount of the outlay will depend on—

General HINES (interposing). Depending on the regulations which the President makes. For instance, if he fixes rates at one amount, it would change those factors. It will affect approximately 700,000, either veterans or their dependents. The greater number of the

700,000 will come from the nonservice-connected group of approximately 500,000, which would be affected by this provision.

Now, to break the estimate down, by the elimination of pensions to remarried widows—that is, the widow of a veteran who has again married—there would be a saving of \$2,487,000. That would be broken down as follows: From the Civil War and Indian wars, \$2,109,000; from the Spanish War, \$378,000.

Restrictions on hospitalization and domiciliary care would result in a net saving of \$9,000,000 a year.

Reduction of benefits to \$20 for single men hospitalized or domiciled would result in a saving of \$5,370,000.

The amendment of the emergency officers' retirement act to the language used in the bill would result in a saving of \$3,386,000, and would affect approximately 3,000 officers.

Senator GORE. That is the total number of officers, is it not?

General HINES. No, sir. There are about 6,000 officers—6,400 now.

Senator GORE. I happen to know a person who went down on the *Tuscania* when it sank. Would his case be subject to a reduction?

General HINES. It would not. If a man is a battle casualty, with battle disability of 30 per cent permanent, he could not be affected.

Senator GEORGE. He would not be taken off.

General HINES. He would not be taken off.

Senator GEORGE. You are assuming, however, that the same level of compensation would continue as under existing law.

General HINES. Yes.

Senator LA FOLLETTE. Mr. Chairman, can we have these questions come at the end of this breakdown of these estimates, so that they will all be in one place in the testimony?

General HINES. We will put it in a table.

A change in the method of rating, that is, having the rates on the average impairment \$10, \$25, \$50, \$75, and \$100, will result in an annual saving of \$40,000,000.

Elimination of term-insurance claims will result in a saving of \$15,900,000.

Elimination of disability allowance will result in a saving of \$101,652,000. That is an item that would probably be less if the President, by regulation, should decide to pay to the permanently and totally disabled of that group.

Senator WALSH. Does that assume the elimination of all disability allowances?

General HINES. That assumes the elimination of all disability allowances.

Senator WALSH. Your recommendation to our committee was to begin at 50 per cent disability.

General HINES. Eliminating everything below 50 per cent. This eliminates all, but by regulation the President could adopt some such recommendation as I suggested.

Senator McADOO. You are speaking of the nonservice disability cases now?

General HINES. This is nonservice.

The elimination of Spanish War pensions where the Government can rebut the service origin would result in a saving of \$95,000,000.

The bill provides that the Spanish War veteran will be given the benefit of the presumption that it is service connected, unless the Government is able to show that it is not service connected.

Senator GORE. It will cost you \$500,000,000 before you are through.

General HINES. Hardly that, Senator. I think we will be able to work it out.

Senator BARKLEY. You mean that in all cases where the Spanish War veteran is drawing a pension now, the disability would be presumed to be of service origin unless the Government proves to the contrary?

General HINES. That is correct.

Senator CONNALLY. Under the present law, a Spanish War veteran's injury does not have to be service connected.

General HINES. That is correct. Under this bill, while he is given the presumption that it is service connected, unless the Government rebuts that service connection, he would stay on; but if the Government can show that his disability is due to something else—

Senator BARKLEY. All of them would go off.

General HINES. It takes quite a number.

Senator BARKLEY. Nearly all the Spanish War veterans would go off the pension roll.

General HINES. It amounts to \$95,000,000. However, the matter again rests with the President under this bill. He can establish regulations.

Senator WALSH. But under this bill he could let them all stay on and simply reduce the amount of the pension.

General HINES. Yes; or the President could, under the broad provisions of this bill, leave that group practically alone.

Senator McADOO. What is the total payment of Spanish War veterans' pensions?

General HINES. It runs, I should say, between \$130,000,000 and \$140,000,000.

Senator McKELLAR. It would take nearly all of them off.

General HINES. The saving would amount to \$95,000,000.

Senator McKELLAR. And just leave \$35,000,000?

Senator KING. If it were \$140,000,000, it would leave \$45,000,000.

General HINES. There is an income provision considered in connection with the Spanish War veterans that would affect some. We estimate that that would further reduce it by about \$1,358,000. The income saving under the Spanish War veterans' law, of course, is one that is very difficult to estimate, because we can not tell; and, as I said in the beginning, these estimates are the maximum amounts, and the President could regulate it by regulation.

The elimination of all presumptions for disability compensation in the World War group, including emergency officers as well, would result in a saving of \$100,000,000, divided as follows—

Senator GORE. State that again.

General HINES. Under the World War veterans act, the World War veterans are given certain presumptions—first, the presumption of soundness on entering the service; and second, the presumption in the case of tuberculosis and neuropsychiatric diseases up to January 1, 1925. This law contemplates wiping out all presumptions,

or gives the President authority to wipe them out, and if they are wiped out, the total saving would amount to \$100,000,000. Under the straight presumption for disability compensation, the first item amounts to \$40,640,000, while all the other presumptions involved in the act, including emergency officers, would amount to \$59,360,000, which gives a total of \$100,000,000, approximately.

Changing the enlistments after November 11, 1918, at pension rates would result in a saving of \$4,000,000.

Retroactive payments limited to the date of filing claim would represent a saving of \$25,000,000.

Reducing the statutory award for arrested tuberculosis, which is now fixed by law at \$50, to \$25 after five years, after the tuberculosis has been arrested for five years, would amount to \$9,000,000.

Eliminating the \$25 payment in tuberculosis cases where there has been no activity shown in service up to November 11, 1918, would give a saving of \$1,500,000.

The repeal of sections 305 and 309 would result in a saving of \$6,000,000. Section 305 permits the reinstatement of insurance by the re-rating of a case; and section 309 has to do with the \$60 bonus. This, however, is included in item 6 that I read above, in connection with insurance claims.

Senator KING. So that ought to be eliminated then.

General HINES. It is in the total, but not twice.

The elimination of the \$2.65 per diem allowance where men are paid who are ordered up for examination, and who are employed, would result in a saving of \$300,000.

The elimination of compensation or pension to civil-service employees of the Federal Government would result in a saving of \$15,600,000.

Senator GORE. I did not get that. What does that mean?

General HINES. It means that any Government employee on the civil service list would not be entitled to these benefits, veterans' benefits, as long as he was receiving pay.

Senator WALSH. No matter what their income may be as civil service employees?

General HINES. That is true.

The establishment of a court of final appeals—that is, to have that for the final appeal, and then close the case—we estimate to represent an administrative saving of \$2,000,000.

The elimination of the furnishing of clothing would represent a saving of \$600,000. The law now permits the furnishing of clothing where a man is hospitalized or sent into a soldiers' home with improper clothing.

The recentralization of veterans' activities would represent a saving of \$8,000,000. The bill provides that the activities of the Veterans' Administration will be centralized by July 1, 1934. Of course, that means that all activities in the way of regional offices, with the exception of hospitals and homes, would be established in a central office in Washington. We estimate an administrative saving of \$8,000,000.

Senator GORE. That would dismantle all these local offices?

General HINES. All local offices; yes.

Eliminating the \$25 compensation for specific losses—that was an additional loss, for creative organ, limb, and so forth, added recently—would result in a saving of \$2,000,000.

By the elimination of rerating a permanent case after once fixed with a permanent rating we estimate an administrative saving of \$1,000,000.

Reducing all remaining benefits by 10 per cent, you have a saving of \$28,774,000 for one year, as it is limited to one year.

We estimate a saving from salaries and expenses as the result of the curtailment and change in the law after these changes have been once effected of \$12,970,000.

Those that I have read will total approximately \$485,192,000, but many of them are overlapping, and we feel that that amount should be reduced by 25 per cent, which gives us as a total maximum estimate \$383,530,000 if the bill becomes a law.

Senator BARKLEY. That is the maximum possible saving?

General HINES. The maximum possible saving, all of it subject, however, as I indicated before, to the regulations approved by the President.

Senator GORE. That is the maximum saving if the President be in sympathy with this law and in sympathy with economy.

General HINES. If the President went the limit in all these provisions where he is given authority, that would be the maximum saving.

Senator BYRD. What was the sum?

General HINES. \$383,530,000.

Senator LONERGAN. How many nonservice-connected cases have you?

General HINES. Approximately 438,000.

Senator LONERGAN. What does that total per years?

General HINES. The total for this year will run about \$92,000,000.

Senator GORE. And there are 60,000 applications pending.

General HINES. Yes. There is a large number pending.

Senator GORE. Suppose these fellows should organize and elect a soldier-president to administer this in the other direction. What is the maximum increase that would be possible?

General HINES. He could not increase. We would go back to where we are now.

Senator McADOO. Provided Congress did not pass some entirely new measure.

Senator GORE. Yes.

Senator WALSH. Assuming that all compensation and pension benefits granted under the present law are retained and a flat cut of 15 per cent were made, what would be the saving?

General HINES. I should say about \$120,000,000.

Senator WALSH. In addition to that, there would be savings that could be made by reducing the opportunities for hospitalization and for soldiers' home relief?

General HINES. Yes. You would add to that. If you followed the recommendations we made to the joint committee, and also an

indicated in this, you would still have your \$9,000,000 saving on hospitalization.

Senator WALSH. You could get a saving of about \$150,000,000.

General HINES. Yes.

Senator WALSH. By eliminating some noncontroversial benefits that there is really not much objection to, and by making a flat reduction all along the line of 15 per cent, you could effect a saving of about \$150,000,000.

General HINES. If you could do that, you could very readily save \$150,000,000.

Senator WALSH. The same as is proposed for civilian employees.

General HINES. Yes.

Senator GORE. Take the case of a widow, say, of a Spanish War veteran who died, and who had a pension status, having a nonservice-connected disability, the cases which will be discontinued under this bill. Is there anything in the bill dealing with widows?

General HINES. Yes. The President would have the right to fix, within limits not exceeding \$75 and not less than \$6, the rate those widows could be paid.

Senator GORE. Is there anything in the law with regard to a widow who has a large income?

General HINES. Not now.

Senator GORE. There should be, should there not?

General HINES. Yes; I think there should be.

Senator GORE. What is the sense in a woman who is wealthy getting a pension of this sort?

General HINES. I have recommended several times, Senator, that there should be a needs clause in all this legislation.

Senator LONERGAN. That is one of the questions I was going to ask you. Have we ever had such a law?

General HINES. Yes, sir. Originally in the pension laws they had limits that went down as low as \$250 a year income. Then it was raised to \$450 a year, and then finally eliminated.

Senator LONERGAN. What percentage of the ex-service men, in your opinion, would come in that class?

General HINES. I would say 25 per cent.

Senator LONERGAN. Would you consider the advisability of excluding them?

General HINES. If this becomes a law, the President will have authority to exclude them.

Senator LONERGAN. That is, he will examine into their financial condition?

General HINES. He could, under the provisions of this act, establish a needs clause.

Senator McADOO. By regulation?

General HINES. By regulation.

Senator LA FOLLETTE. General, if this bill were passed, how long do you estimate it would take the bureau—if that were the agency designated by the President—to review all these cases de novo?

General HINES. It would take us a year. We would just about be finished at the time the act would require us to centralize in Washington.

Senator McKELLAR. General, would these people have to employ lawyers to look after their claims before the department?

General HINES. They should not.

With regard to the regional offices, the regional offices would be centralized in Washington by July 1, 1934.

Senator LONERGAN. Is that in the act, or under the powers of the President?

General HINES. It is in the act.

Senator LONERGAN. It would have to be done.

General HINES. Yes.

Senator LA FOLLETTE. What provision is made for these veterans while this reexamination of their claims is going on?

General HINES. Their rates would continue until the first of the fourth month, as I understand, after the change is made.

Senator LA FOLLETTE. Then, for six months they would not have anything, until you had finished?

General HINES. No. I mean, no change is made until we make the cut. Then their rate continues to the first of the fourth month.

Senator GORE. Then they get the reduced rate.

Mr. WOODRUM. There is a review going on now, is there not?

General HINES. There is a review going on now of disability allowance cases, initiated by the Veterans' Administration, in which we are reviewing all the disability allowance cases, for two very good reasons. First, we found that the regulations issued originally, although they paralleled our discussion of the benefits when we discussed them in committee, were too liberal, in two respects, first, in the matter of the permanency of the disability, and, second, on the proposition of adding small disabilities up to make enough to get 25 per cent. After reviewing a certain number of cases, we came to the conclusion that they should all be reviewed, and we are reviewing them now, with the result that it was possible for me to recommend to the Appropriations Committee, for the appropriation of 1934, a cut of \$23,000,000 in those allowances. We expect that in this year's appropriation there will be a saving of approximately \$10,000,000 as a result of that.

Senator WALSH. Approximately what is the percentage of the reduction of benefits in disability allowances as a result of that review?

General HINES. The percentages, Senator, so far, I am afraid, can not be taken, because I directed that certain types of cases be considered first. For instance, in the review, I directed that all cases of Government employees be the first ones reviewed, and the tendency there probably would be to deal very tightly with those. Secondly, I directed a review of those cases in which, after examination, there appeared to be some question as to the permanency of disability. As a result, I feel that we got the larger number of cases first, and the percentage so far indicates that about a third are going off. I estimate that probably 20 per cent will be the final number that will

go off, and most of them will be found in the first group, the 25 per cent group.

Senator BYRNES. May I ask you a question in regard to your statement in response to the inquiry in respect to the \$383,000,000? Do you mean to state that that is the maximum amount of saving under the existing rates?

General HINES. Under the existing rates.

Senator BYRNES. Now the power is proposed to be given to the President to change the rates?

General HINES. Yes, sir.

Senator BYRNES. If you change the rates, the amount will be greater?

General HINES. The amount will be greater.

Senator McKELLAR. General, what about the R. O. T. C. disability allowances?

General HINES. The emergency officers, you mean?

Senator McKELLAR. No; the reserve officers. A lot of students were brought into the R. O. T. C. and they were declared to be members of the Army, and they draw these allowances.

General HINES. No. We take the definition of a veteran to be a man who has served at least 90 days, under the emergency officers' act, prior to November 11, 1918. He is considered an emergency officer. So, we would not look into the R. O. T. C. training period, unless he qualified under that.

Senator McADOO. The R. O. T. C. is not covered in this bill?

General HINES. Yes. It would cover any man who would be entitled to a benefit under any of the veterans' acts, no matter where he trained. But, so far as the activities of the R. O. T. C. are concerned, they are not touched by this.

Senator McADOO. In other words, the compensation they receive now for actual training and for service each year is not affected.

General HINES. We have no jurisdiction over that.

Senator McKELLAR. I am not talking about that. I am talking about the fact that during the war a great many boys in the R. O. T. C. were afterwards considered for pension purposes.

Senator McADOO. I understand your point. I only wanted to clarify the other point in my mind.

General HINES. They would come in only in the event they could qualify under the emergency officers' act, or as veterans.

The CHAIRMAN. Does that complete your statement, General?

General HINES. Unless you wish to go into the details of each one of those items. I would suggest, if you are going to print the record, that this table will give you all the details.

Senator La FOLLETTE. I would like to have that in the record.

General HINES. That gives the figures. I did not care to bore you by reading them all.

The CHAIRMAN. We are very anxious that the reporters turn this in immediately so that we can get a copy of this hearing out tonight, if possible, because the House is going to take this bill up tomorrow, as I understand, and we want this matter so that we can read it.

General HINES. I will turn this table over to the reporter, so that it may be included in the record.

(The table submitted by General Hines is printed in full as follows:)

Recapitulation of possible savings which might be effected

Type of benefit.	Estimated annual savings
1. Eliminate pensions to remarried widows.....	\$2,487,000
(a) Civil War and Indian wars.....	2,100,000
(b) Spanish War.....	378,000
2. Restrict hospitalization and domiciliary care:	
(c) Income provision on N. S. C. cases.....	0,000,000
3. Reduce benefits to \$20 for single men hospitalized or domiciled.....	5,370,000
4. E. O. R. act restricted to causative factor cases.....	3,380,000
5. One rating table, five rates, \$10, \$25, \$50, \$75, \$100, average impairment.....	40,000,000
6. Eliminate term-insurance claims.....	15,000,000
7. Eliminate disability allowance.....	101,652,000
8. Eliminate Spanish War pension where Government can rebut service origin.....	95,000,000
Income provision Spanish War soldier pensions, service connected.....	1,053,000
Income saving under present Spanish War veterans' law, \$10,000,000.	
9. Eliminate all presumption for disability compensation and emergency officers, regulation 11, included.....	100,000,000
(a) Presumptive under amendment June 7, 1924.....	40,040,000
(b) All other presumptions.....	59,360,000
10. Enlistments after Nov. 11, 1918, at pension rates.....	4,000,000
11. Retroactive payment limited to date of filing claim.....	25,000,000
12. Reduce \$50 statutory award for arrested T. B. to \$25 after five years.....	9,000,000
13. Eliminate \$25 payment in tuberculosis cases where there has been no activity.....	1,500,000
14. Repeal sections 305 and 300, included in No. 6.....	0,000,000
15. Eliminate \$2.65 per diem allowance.....	300,000
16. Eliminate compensation or pension to civil-service employees of the Federal Government.....	15,000,000
17. Establish courts of final veterans' appeal.....	2,000,000
18. Eliminate furnishing of clothing.....	600,000
19. Recentralize veterans' activities.....	8,000,000
20. Eliminate \$25 compensation for specific losses.....	2,000,000
21. Permanent cases not to be rerated.....	1,000,000
22. Reduce all remaining benefits by 10 per cent.....	28,774,000
Savings from salaries and expenses.....	12,970,000
Total saving.....	485,192,000
Minus 25 per cent of direct benefits for overlapping.....	101,662,000
Net approximate saving.....	383,530,000

The CHAIRMAN. Mr. Roberts do you have anything to add?

Mr. ROBERTS. There is one point I would like to clear up. The bill specifically provides that the rates to those now on the rolls will continue to the first day of the third calendar month following its enactment, and that thereafter the rates under the regulations to be

¹ Items were totaled and a 25 per cent deduction made for overlapping.

issued will apply. In other words, the reduction is not effective the first of the third calendar month following the administrative determination, as I think was indicated here. It is the first of the third calendar month following the enactment of this bill.

Senator LA FOLLETTE. I do not quite understand this. Suppose a man has a 100 per cent disability rating now, service connected, and he gets that for three months after this law is passed, but suppose his case has not yet been ground out in the new grist. What happens to him after the third month?

Mr. ROBERTS. Under the provisions of this bill as it is drawn it would be my opinion that we would have to review all claims within that period of three months. Otherwise, we would have to cease paying until such time ----

General HINES. And the Director of the Budget agreed with me. That was his understanding.

Senator LA FOLLETTE. Mr. Chairman, without any disrespect to the authors of this bill, I would like to ask that a copy of it be submitted to-night to the legislative counsel of the Senate, and that they be permitted to go over this bill from the technical drafting point of view, so that we may have some of these matters cleared up.

The CHAIRMAN. May I say that in drafting this bill, as I understand it, they had the benefit of the Legislative Drafting Bureau?

Senator LA FOLLETTE. I do not think so, because I have inquired, and none of them knows anything about it.

The CHAIRMAN. We will follow that suggestion of having the legislative drafting bureau go over it.

General HINES. Mr. Douglas, did I not understand you to agree with me that the bill does provide that a man would not be cut off until the first day of the third or fourth month?

Mr. DOUGLAS. That is right; and they would not be cut off then if their case had not been reviewed.

Senator McADOO. They will be protected until the regulations are passed?

Mr. DOUGLAS. If there is any doubt about it, Senator, it should be changed so that that doubt is removed.

The CHAIRMAN. I thought one of the members of the drafting committee was in here.

Senator GEORGE. If, for instance, the President said that the disability allowance should not be paid except in case of permanent total disability, then you have your 25, 30, and 75 per cent men let out when the bill becomes effective. There would not necessarily be any rerating of those men, would there?

General HINES. The bill provides that all cases will be reviewed under these new regulations, as I read it.

Senator BARKLEY. Of course, the classes of veterans who are to be eliminated from compensation are not reviewed. They come off, do they not?

General HINES. Not according to the way the bill is written.

Senator BARKLEY. Whenever the President's regulations go into effect I understand that certain classes of veterans automatically are eliminated.

Mr. ROBERTS. Section 17, Title I, of the bill reads as follows (reading):

All public laws granting medical or hospital treatment, domiciliary care, compensation, pension disability allowance, or retirement pay to veterans of the Spanish-American War, including the Boxer rebellion and the Philippine insurrection, the World War, or to former members of the military or naval service for injury or disease incurred or aggravated in the line of duty in the military or naval service except so far as they relate to persons who served prior to the Spanish-American War, and the retirement of officers and enlisted men of the Regular Army, Navy, or Marine Corps, are hereby repealed, and all laws granting or pertaining to yearly renewable term insurance are hereby repealed, but payments in accordance with such laws shall continue to the first day of the third calendar month following the month during which this act is enacted. The Administrator of Veterans' Affairs under the general direction of the President shall immediately cause to be reviewed all allowed claims under the above referred to laws, and where a person is found entitled under this act authorize payment or allowance of benefits in accordance with the provisions of this act commencing with the first day of the fourth calendar month following the month during which this act is enacted and notwithstanding the provisions of section 9 of this act, no further claim in such cases shall be required: *Provided*, That nothing contained in this section shall interfere with payments heretofore made or hereafter to be made under contracts of yearly renewable term insurance which have matured prior to the date of enactment of this act and under which payments have been commenced.

Senator BARKLEY. What I have in mind is this: Take the non-service-connected cases. They are not to be reviewed, are they?

General HINES. It says all cases, unless we change it.

Senator BARKLEY. I understand one of the objects of this bill is to eliminate the nonservice-connected cases.

General HINES. If the President said they would all be eliminated, that would wipe them out. It repeals the law as it now stands, but says he may establish certain rates for them.

Senator BARKLEY. He may leave them on the rolls, then, at a different rate of compensation?

General HINES. Yes.

Senator BARKLEY. All of them?

General HINES. All of them; or he can take them off.

Mr. WOODRUM. But he has to take an affirmative action if they stay on there three months after this law becomes effective.

Mr. DOUGLAS. I do not think you meant to say he could strike off all the nonservice-connected cases.

General HINES. He could under the authority given him, if he wishes.

Mr. DOUGLAS. I do not think so.

Senator BYRNES. I think the committee would like to hear the language. Let me read the language—

Senator LA FOLLETTE. This simply emphasizes the point I wanted to make, that I would like to have the legislative counsel go over this bill from the drafting point of view and let us make sure that we know what we are doing.

General HINES. I would like to get this straightened out now with Mr. Douglas. Mr. Douglas, as I understand it, the act itself, when it is approved, repeals the disability allowance act as such. Then the same act gives the President authority to take such of those cases, at such rates as he may determine under regulations, and pay them something. Am I correct in that?

Mr. DOUGLAS. Approximately; yes.

General HINES. That is what I intended to convey to the Senator.

Mr. DOUGLAS. But he can not take a case which is not permanent and grant any pension to him, nor can he eliminate from the rolls entirely all of the permanent cases.

General HINES. Does not the act itself eliminate all the disability allowance cases until he establishes, by regulations, just what cases will be covered?

Mr. ROBERTS. But the act also specified a minimum.

Mr. DOUGLAS. It substitutes something in lieu thereof.

General HINES. He can pay them not less than \$6 and not more than \$275.

Senator WALSH. What will be the savings as a result of the 10 per cent reduction in the benefits extended to veterans and widows of veterans of the Civil War?

General HINES. Have you the breakdown of this, Mr. Roberts? The total is \$28,000,000. How much of it affects the Civil War veterans? As I recall, it is a very small amount—\$7,000,000 or \$8,000,000.

Mr. ROBERTS. \$820,000 in the case of Civil War veterans and widows.

General HINES. That is a 10 per cent reduction for one year.

Senator McADOO. \$820,000?

Mr. ROBERTS. Yes.

Senator KING. Less than \$1,000,000.

Senator BARKLEY. That is 10 per cent of the total. They do not seem to be drawing such a large amount.

General HINES. They are going down very fast. There are only 35,000 Civil War veterans left.

Senator McADOO. Was the total amount of their pensions not over \$8,200,000?

General HINES. About that.

Senator GORE. What is the amount of the service pension of the Union soldiers?

General HINES. \$100.

Senator WALSH. Are you not mistaken about that?

General HINES. What is that?

Senator WALSH. Is not the amount in the case of the Civil War veterans around \$100,000,000? I think there is some mistake there.

Mr. DOUGLAS. I think we would save approximately \$10,000,000.

Senator WALSH. Instead of \$820,000, it seems to me it should be \$8,000,000 to \$10,000,000.

General HINES (after examining papers). The total for the Civil War pensions for 1933 is \$97,200,000. The saving is \$9,720,000.

The CHAIRMAN. Are there any further questions? If not, the committee wants to consider another matter.

Senator LONERGAN. I would like to ask Mr. Roberts a question. On what do you base the provision in this bill giving the right to the President to terminate all lawsuits that are pending?

Mr. ROBERTS. The Supreme Court of the United States, in the case of *White v. United States*, and in another case—I have not the citations offhand—has held in both those cases that yearly renewable

term insurance is a gratuity, and that the Congress may from time to time change the law with reference to that gratuity so long as no right has vested in the way of a payment already made.

Senator LONERGAN. As I remember it, either you or General Hines said that in one-fifth of these cases the plaintiffs have been successful.

General HINES. About 16 per cent.

Senator LONERGAN. If 16 per cent have been successful in the past, if 16 per cent of these men have cases of merit, the question arises as to the fairness of terminating these actions after suits have been filed.

Mr. ROBERTS. That question, Senator, of course, is one on which people might differ from the standpoint of opinion, but when you take into consideration the fact that the Government collected only about \$480,000,000 in premiums, and its present liability on that form of insurance is approximately \$1,700,000,000 in excess of those premiums, it takes it out of the semblance of a contract and really makes it an additional gratuity that you are paying to certain men who, during service, happened to apply for insurance.

Senator LONERGAN. Could you not provide some agency to review all those cases?

Mr. ROBERTS. It could be done.

General HINES. We have such an agency now, Senator, that is reviewing these claims.

There is one thought I would like to leave with the committee with reference to these insurance suits. Many of them are based upon the desire of the claimant, who is now permanently and totally disabled, and so rated by the bureau, to get back compensation over the period when we did not rate him permanently and totally disabled. Some of them, of course, are brought about by re-rating a case, and they get back compensation and reinstatement of insurance under section 305, and then they want to prove permanent and total disability further back, so that in many cases it is not a question of the veteran not getting anything. It is a question of the veteran, or his relatives, if he is dead, or his estate, getting additional money, and it could very well, I think, be eliminated.

(At this point followed discussion which the reporter was directed not to record, at the conclusion of which, at 5.30 o'clock p. m., the committee adjourned to meet to-morrow, Saturday, March 11, 1933, at 10 o'clock a. m.)