

January 12, 1939.

REPORT OF THE FISCAL AND MONETARY ADVISORY BOARD RELATING TO THE SPECIAL
REPORT OF THE SOCIAL SECURITY BOARD

At your request, the Fiscal and Monetary Advisory Board has considered the Special Report of the Social Security Board at two extended meetings. In addition, the technical staffs of the various agencies represented held a meeting on the possible monetary magnitudes involved.

As a result of this study, the Advisory Board recommends that the Report be submitted directly to Congress rather than to you, and by you, to Congress.

The basis of this recommendation is two-fold. In the first place, the Board found that the Report raises highly controversial questions with respect to the monetary and fiscal aspects of the old age insurance program. Transmittal of the Report by you would imply acceptance of one view of a problem on which, in the opinion of the Board, definite commitment is not at this time necessary or advisable.

In the second place, the statute creating the Social Security Board calls for continued study by the Board and report to Congress with respect to modifications and amendments which it deems necessary. Indeed, the Board's report itself refers to this provision. It is, therefore, natural and proper that a report recommending changes in the Act should be made directly to Congress.

Since the collections and disbursements on social insurance account have an extremely important bearing on our objective of a higher national income we feel it desirable that the Fiscal and Monetary Advisory Board be kept currently informed by the Social Security Board of specific recommendations which it proposes to present to Congressional Committees so that the monetary and fiscal aspects of new social security legislation may be kept under continuous study by your Advisory Board.

Messrs. Hanes and Taylor participated in our meetings, but, in the absence of Secretary Morgenthau, preferred to take no position in the matter.

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REPORT OF THE SOCIAL SECURITY BOARD

At your request, the Fiscal and Monetary Advisory Board has considered the Special Report of the Social Security Board at two extended meetings. In addition, the technical staffs of the various agencies represented held a meeting to explore the fiscal aspects of the problem.

As a result of this study, the Advisory Board makes the following recommendations:

1. That the Report be submitted directly to Congress rather than to you, and by you, to Congress.

The basis of this recommendation is two-fold. In the first place, the Board found that the Report raises highly controversial questions with respect to the monetary and fiscal aspects of the old-age insurance program. Transmittal of the Report by you would imply your acceptance of one view of a problem on which, in the opinion of this Board, definite commitment on your part is not at this time necessary or advisable.

In the second place, the statute creating the Social Security Board does not state that reports with respect to modifications and amendments of the Act should be made to the President and the implication is that they should be made directly to Congress. This has been the practice of the Social Security Board to date. There appears no good reason why a departure from this practice should be made in the case of this Special Report. It is, therefore, appropriate that a report recommending changes in the Act should be addressed to Congress.

2. It is desirable that the Fiscal and Monetary Advisory Board be kept currently informed by the Social Security Board of specific recommendations which it proposes to present to Congressional Committees so that the monetary and fiscal aspects of new social security legislation may be kept under continuous study by your Advisory Board.