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House of Representatives

The House was not in session today. Its next meeting will be held on Monday, June 19, 1950, at 12 o'clock noon.

Senate

FRIDAY, JUNE 16, 1950

(Legislative day of Wednesday, June 7, 1950)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Eternal Spirit, we thank Thee that Thou art not far off, out on the vast rim of the universe; but nearer to us than breathing; warm, sweet, tender, a present help, waiting to live in us, to work through us; our daily sustenance, the fountain of a courage that will not fail and of a power that can use our so fallible weakness as its healing and illuminating channel.

In this confused day, with its noisy voices and contending claims, grant unto these Thy servants that they may be faithful to every trust committed by the people to their hands, giving utterance only to their highest, noblest thought; and that upon their shoulders there may rest unsullied the white mantle of the Nation's honor. Amen.

THE JOURNAL

On request of Mr. MCFARLAND, and by unanimous consent, the reading of the Journal of the proceedings of Thursday, June 15, 1950, was dispensed with.

LEAVE OF ABSENCE

On his own request, and by unanimous consent, Mr. YOUNG was excused from attendance on the sessions of the Senate for all of next week.

On his own request, and by unanimous consent, Mr. HOLLAND was excused from attendance on the sessions of the Senate on Monday, Tuesday, and Wednesday of next week.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. MCFARLAND, and by unanimous consent, the Committee on Armed Services and the Committee on Foreign Relations, sitting jointly, were authorized to meet this afternoon during the session of the Senate.

On request of Mr. MCFARLAND, and by unanimous consent, a subcommittee of the Committee on Labor and Public Welfare was authorized to meet during the session of the Senate today.

ORDER OF BUSINESS

Mr. MCFARLAND. Mr. President, I ask unanimous consent that immediately after the quorum call the Senator from Florida [Mr. HOLLAND] be permitted to propound questions on the pending social-security measure to the Senator from Colorado [Mr. MILLIKIN].

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Arizona? The Chair hears none, and it is so ordered.

Mr. MCFARLAND. Mr. President, I ask unanimous consent that immediately thereafter the calendar be called.

The PRESIDENT pro tempore. For the consideration of measures to which there is no objection?

Mr. MCFARLAND. Yes.

The PRESIDENT pro tempore. Is there objection to the unanimous-consent request of the Senator from Arizona? The Chair hears none, and the calendar will be called, beginning at the point where we left off at the last call of the calendar.

ORDER FOR TRANSACTION OF ROUTINE BUSINESS

Mr. MCFARLAND. Mr. President, I modify my previous request for unanimous consent, and ask that after we have a quorum call Senators be permitted to submit petitions and memorials, introduce bills and joint resolutions, and present routine matters for the RECORD, without debate, before the questions of the Senator from Florida to the Senator from Colorado.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. MCFARLAND. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Hickenlooper	Maybank
Benton	Hill	Millikin
Bridges	Holland	Mundt
Butler	Hunt	Myers
Cain	Ives	Neely
Chapman	Johnson, Colo.	O'Mahoney
Chavez	Johnson, Tex.	Robertson
Connally	Kefauver	Russell
Cordon	Kem	Saltonstall
Darby	Kerr	Schoeppel
Donnell	Kilgore	Smith, Maine
Dworshak	Knowland	Smith, N. J.
Eastland	Leahy	Stennis
Ecton	Lehman	Taft
Ellender	Lodge	Thomas, Utah
Ferguson	Lucas	Thye
Flanders	McCarran	Tobey
Frear	McCarthy	Tydings
Fulbright	McClellan	Watkins
Gillette	McFarland	Withers
Green	McKellar	Young
Gurney	McMahon	
Hayden	Malone	

Mr. SALTONSTALL. I announce that the Senator from Maine [Mr. BREWSTER], the Senator from Ohio [Mr. BRICKER], the Senator from New Jersey [Mr. HENDRICKSON], the Senator from Indiana [Mr. JENNER], the Senator from Nebraska [Mr. WHERRY], and the Senator from Delaware [Mr. WILLIAMS] are necessarily absent.

The Senator from Indiana [Mr. CAPEHART], the Senator from North Dakota [Mr. LANGER], the Senator from Oregon [Mr. MORSE], the Senator from Michigan [Mr. VANDENBERG], and the Senator from Wisconsin [Mr. WILEY] are absent by leave of the Senate.

The Senator from Pennsylvania [Mr. MARTIN] is absent by leave of the Senate on official business.

The PRESIDENT pro tempore. A quorum is present.

NATURALIZATION OF IMMIGRANTS HAVING LEGAL RIGHT TO PERMANENT RESIDENCE

The PRESIDENT pro tempore laid before the Senate a message from the House of Representatives announcing its disagreement to the amendments of the Senate to the joint resolution (H. J. Res. 238) to provide the privilege of becoming a naturalized citizen of the United States to all immigrants having a legal right to permanent residence, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. McCARRAN. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. McCARRAN, Mr. EASTLAND, and Mr. JENNER conferees on the part of the Senate.

REVISED ESTIMATE, DEPARTMENT OF THE INTERIOR (S. DOC. NO. 186)

The PRESIDENT pro tempore laid before the Senate a communication from the President of the United States, transmitting a revised estimate of appropriation, involving an increase of $5,199,400, fiscal year 1951, for the Department of the Interior, in the form of an amendment to the budget, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

STANDARDS AND GRADES OF BEEF—RESOLUTION OF NEBRASKA STOCK GROWERS ASSOCIATION

Mr. BUTLER. Mr. President, I present for appropriate reference and ask unanimous consent to have printed in the RECORD, a resolution adopted by the sixty-first annual convention of the Nebraska Stock Growers Association at Alliance, Nebr., relating to changing the present standards and grades of beef.

There being no objection, the resolution was referred to the Committee on Agriculture and Forestry, and ordered to be printed in the RECORD, as follows:

Resolution 6

Resolution on grading beef carcasses

Whereas there is today an effort on the part of certain individuals and organizations to change the present standards and grades of carcass beef as set forth on page 2845 of the Federal Register, dated Friday, May 12, 1950; and

Whereas many years of effort at much cost has been put forth to publicize and establish in the minds of the consuming public, students, and producers of beef animals the present and satisfactory standards and grades; and

Whereas we believe that such proposed "up-grading" of beef carcasses, will tend to weaken the confidence on the part of the general public who are now familiar with and have confidence in our present grades of beef carcasses; and

Whereas we believe that such proposed "up-grading" by bringing carcasses of lower grades into higher brackets than now expressed will, in the minds of the general public, be taken as an act of deception: Now, therefore, be it

Resolved, That the Nebraska Stock Growers Association in its sixty-first annual convention assembled at Alliance, Nebr., this 10th day of June, 1950, go on record as absolutely opposed to any change in the present and universally accepted standards and grades of beef, and that copies of this resolution be filed with the director of the Livestock Branch, Production and Marketing Administration, United States Department of Agriculture, Washington, D. C., on or before July 11, 1950.

COUNTY OF BOX BUTTE,
State of Nebraska, ss:

The above and foregoing is a true and exact copy of the resolution adopted at the sixty-first annual convention of the Nebraska Stock Growers Association, at the annual business session, June 10, 1950.

W. A. JOHNSON,
Secretary-Treasurer.

REPORT OF JOINT COMMITTEE ON ECONOMIC REPORT (S. REPT. NO. 1843)

Mr. O'MAHONEY. Mr. President, on behalf of the Joint Committee on the Economic Report I submit, pursuant to Public Law 304, Seventy-ninth Congress, the report of that committee together with a supplementary statement of the Senator from Illinois [Mr. DOUGLAS] and the minority views. I should like to add that this document will be available for sale at the office of the Superintendent of Documents, Washington 25, D. C., for 35 cents the copy.

The PRESIDENT pro tempore. The report will be received, and printed.

ENROLLED BILL PRESENTED

The Secretary of the Senate reported that on today, June 16, 1950, he presented to the President of the United States the enrolled bill (S. 2440) to authorize certain construction at military and naval installations, and for other purposes.

EXTENSION OF RUBBER ACT OF 1948—VIEWS OF COMMITTEE ON BANKING AND CURRENCY

Mr. FLANDERS. Mr. President, from the Committee on Banking and Currency, which committee had the extension of the Rubber Act within its purview in the last session of Congress, I submit views of that committee, on the bill (H. R. 7579) to extend the Rubber Act of 1948 (Public Law 469, 80th Cong.), and for other purposes, and ask unanimous consent that they be printed as part 2 of Senate Report No. 1786.

The PRESIDENT pro tempore. The views will be received, and without objection, printed as requested by the Senator from Vermont.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred, as follows:

By Mr. THYE:

S. 3782. A bill for the relief of Ruzena Pelantova; to the Committee on the Judiciary.

By Mr. ELLENDER (by request):

S. 3783. A bill to establish two additional offices of Assistant Secretaries of Agriculture and office of an Administrative Assistant Secretary of Agriculture, and for other purposes; to the Committee on Agriculture and Forestry.

By Mr. ECTON:

S. 3784. A bill authorizing the Secretary of the Interior to issue a patent in fee to Maud Door; to the Committee on Interior and Insular Affairs.

By Mr. McMAHON:

S. 3785. A bill for the relief of Gerhard H. A. Anton Bebr; to the Committee on the Judiciary.

By Mr. CAIN:

S. 3786. A bill to amend chapter 61 (relating to lotteries) of title 18, United States Code, to make clear that such chapter does not apply to certain contests to advertise or develop the natural or recreational resources of a State or any region or section thereof; to the Committee on the Judiciary.

By Mr. ELLENDER (for Mr. LONG):

S. 3787. A bill authorizing adjudication of the claim of Dudley Tarver against the United States; to the Committee on the Judiciary.

SOCIAL SECURITY ACT AMENDMENTS OF 1950—AMENDMENTS

Mr. LEHMAN submitted an amendment to the committee amendment, intended to be proposed by him to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. NEELY (for himself and Mr. KILGORE) submitted an amendment intended to be proposed by them, jointly, to House bill 6000, supra, which was ordered to lie on the table and to be printed.

EXTENSION OF SELECTIVE SERVICE ACT OF 1948—AMENDMENTS

Mr. LUCAS (for himself, Mr. MYERS, Mr. LEHMAN, Mr. DOUGLAS, Mr. McMAHON, and Mr. BENTON) submitted amendments intended to be proposed by them, jointly, to the bill (H. R. 6826) to provide for the common defense through the registration and classification of certain male persons, and for other purposes, which were ordered to lie on the table and to be printed.

SOCIAL SECURITY ACT AMENDMENTS OF 1950—AMENDMENTS

Mr. WATKINS. Mr. President, I submit an amendment intended to be proposed by me to House bill 6000, to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes, to be substituted for an amendment which I have previously submitted. I ask that this amendment be printed and lie on the table.

The PRESIDENT pro tempore. The amendment will be received, printed, and lie on the table.

Mr. MYERS. Mr. President, on behalf of myself, the senior Senator from Illinois [Mr. LUCAS], the junior Senator from Connecticut [Mr. BENTON], the junior Senator from Illinois [Mr. DOUGLAS], the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the senior Senator from West Virginia [Mr. KILGORE], the

Senator from New York [Mr. LEHMAN], the senior Senator from Connecticut [Mr. MCMAHON], the Senator from Montana [Mr. MURRAY], the junior Senator from West Virginia [Mr. NEELY], the Senator from Florida [Mr. PEPPER], and the Senator from Utah [Mr. THOMAS], I submit amendments intended to be proposed by us, jointly, to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes. I ask unanimous consent that the amendments, together with an explanatory statement by me be printed in the RECORD.

The PRESIDENT pro tempore. The amendments will be received and lie on the table, and without objection, the amendments and explanatory statement will be printed in the RECORD. The Chair hears no objection.

The amendments submitted by Mr. MYERS (for himself and other Senators) are as follows:

1. On page 237, line 18, strike out "$3,000" and insert in lieu thereof "$4,200."
2. On page 260, line 5, strike out "$3,000" and insert in lieu thereof "$4,200."
3. On page 263, line 25, strike out "$3,000" and insert in lieu thereof "$4,200."
4. On page 264, line 6, strike out "$3,000" and insert in lieu thereof "$4,200."
5. On page 267, line 5, strike out "$150" and insert in lieu thereof "$250."
6. On page 273, line 21, strike out "$3,000" and insert in lieu thereof "$4,200."
7. On page 315, line 3, strike out "$3,000" and insert in lieu thereof "$4,200."
8. On page 316, line 17, strike out "$3,000" and insert in lieu thereof "$4,200."
9. On page 317, line 7, strike out "$3,000" and insert in lieu thereof "$4,200."
10. On page 319, between lines 14 and 15, insert the following:

"(b) So much of section 1401 (d) (2) of the Internal Revenue Code as precedes the second sentence thereof is amended to read as follows:

"'(2) Wages received during 1947, 1948, 1949, and 1950: If by reason of an employee receiving wages from more than one employer during the calendar year 1947, 1948, 1949, or 1950, the wages received by him during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,000 of such wages received.'

"(c) Section 1401 (d) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraphs:

"'(3) Wages received after 1950: If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950, the wages received by him during such year exceed $4,200, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $4,200 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within 2 years after the calendar year in which such wages were received. No interest shall be allowed or paid with respect to any such refund.

"'(4) Special rules in the case of Federal and State employees.—'"

11. On page 320, line 7, strike out "$3,000" and insert in lieu thereof "$4,200."
12. On page 339, line 25, strike out "$3,000" and insert in lieu thereof "$4,200."
13. On page 358, line 18, strike out "$3,000" and insert in lieu thereof "$4,200."

The statement presented by Mr. MYERS is as follows:

STATEMENT BY SENATOR MYERS ON INTRODUCING MAXIMUM WAGE BASE AMENDMENT TO SOCIAL SECURITY ACT

Mr. President, I am submitting an amendment to increase the taxable wage base as set forth in the social-security bill reported from the Senate Finance Committee, an amendment to increase this base from $3,000 to $4,200. Joining me in sponsoring this amendment are Senators LUCAS, BENTON, DOUGLAS, GREEN, HUMPHREY, KILGORE, LEHMAN, MCMAHON, MURRAY, NEELY, PEPPER, and Senator THOMAS of Utah.

I do not intend to go into any great detail on the wage-base question. I feel that by now it has been very thoroughly discussed in the preceding debate and I think that the arguments are pretty well understood.

Fifteen of the seventeen members of the Senate Advisory Council on Social Security recommended that the wage base, established at $3,000 in 1939, be increased to $4,200 in ord to carry out the policy determined by the Congress in the original law. When the $3,000 wage base was set up in 1939, 95 percent of the employees working at covered jobs had average earnings of $3,000 a year or less. In view, now, of today's high wage levels, the figure of $4,200 is required to bring the wage base in line with present conditions, and I do not see how any substantial argument can be raised against this.

Mr. MYERS. Mr. President, on behalf of myself, the senior Senator from Illinois [Mr. LUCAS], the junior Senator from Connecticut [Mr. BENTON], the junior Senator from Illinois [Mr. DOUGLAS], the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the senior Senator from West Virginia [Mr. KILGORE], the Senator from New York [Mr. LEHMAN], the senior Senator from Connecticut [Mr. MCMAHON], the Senator from Montana [Mr. MURRAY], the junior Senator from West Virginia [Mr. NEELY], the Senator from Florida [Mr. PEPPER], and the Senator from Utah [Mr. THOMAS], I submit amendments intended to be proposed by us, jointly, to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes. I ask unanimous consent that the amendments, together with an explanatory statement by me, be printed in the RECORD.

The PRESIDENT pro tempore. The amendments will be received, printed, and lie on the table, and, without objection, the amendments and explanatory statement by the Senator from Pennsylvania will be printed in the RECORD. The Chair hears no objection.

The amendments submitted by Mr. MYERS (for himself and other Senators) are as follows:

On page 267, line 3, after the word "be", insert "the sum of the following: (A)."

On page 267, line 5, strike out the period and insert in lieu thereof a comma and the following: "(B) an amount equal to 1 percent of the amount computed under clause (A) multiplied by the number of years prior to 1951 in which $200 or more of wages were paid to such individual, and (C) an amount equal to one-half of 1 percent of the amount computed under clause (A) multiplied by the number of years after 1950 in which the sum of the wages paid to and the self-employment income derived by such individual was $200 or more."

On page 273, beginning with line 10, strike out all down to and including line 13 and insert in lieu hereof the following:

"(C) With respect to calendar years after 1950, the 1-percent addition provided for in section 209 (e) (2) of this act as in effect prior to the enactment of this section shall be one-half of 1 percent and shall be made with respect to any such year in which the sum of the wages paid to and the self-employment income derived by the individual was $200 or more."

The explanatory statement presented by Mr. MYERS is as follows:

STATEMENT BY SENATOR MYERS ON INTRODUCING INCREMENT AMENDMENT TO SOCIAL SECURITY BILL

Mr. President, I am introducing, on behalf of myself and Senators LUCAS, BENTON, DOUGLAS, GREEN, HUMPHREY, KILGORE, LEHMAN, MCMAHON, MURRAY, PEPPER, and Senator THOMAS of Utah an amendment to the pending social security bill which will add an increment factor to the benefit formula set forth in the bill reported from the Senate Finance Committee. I do not intend at this time to make an elaborate explanation of the amendment, but I would like to observe that the benefit formulas set forth in both the House-approved bill and the recommendations of the Senate Finance Committee are decided improvements over the present law. Retirement benefits will be substantially increased under either provision.

The bill as it passed the House included a so-called increment in its formula. Under the House provision, the primary retirement benefit, as calculated by the formula, would be increased by one-half of 1 percent for each year the insured person has contributed to the program. In other words, for a person who worked in covered employment for 20 years this would mean that his primary insurance benefit on retirement would be increased by 10 percent, or one-half of 1 percent of increase for each year that he had contributed to the system.

It will be recalled that the benefit formula under the present law contains an increment factor of 1 percent. The Senate Finance Committee, however, in reporting the bill has recommended that the increment factor be dropped altogether.

I am in accord with the modifications which the Senate committee made in liberalizing eligibility requirements for retirement benefits and with the more liberal alternative suggestions for calculating average earnings on which benefits are determined, and I feel that it is inconsistent with the policy which these recommendations reflect to have dropped the increment altogether.

In effect, the use of the increment recognizes that the benefits which a working person shall receive on retirement should be related to the number of years he has contributed to the insurance fund. Yet, under the provisions of the Senate bill, it makes no difference whatsoever whether a given per-

son has contributed 5 years or 40 years. His ultimate benefits depend solely upon his maximum average earnings and are in no way related to the number of years he has worked in covered employment.

Certainly, Mr. President, I believe a strong argument can be made for the psychological advantage of having a worker's benefits depend, in part at least, upon the number of years that the worker chooses to remain in covered employment. It preserves and promotes individual incentive because it emphasizes and reinforces the principle that the man who pays more in contributions receives more in benefits.

I know, Mr. President, that any liberalizing amendment to the pending bill necessarily raises the question: How much will this cost? If we use the assumptions adopted by the Finance Committee in determining the ultimate costs of the retirement insurance system, the inclusion of an increment as proposed in our amendment would increase the level-premium from 6.15 percent of payroll by about an additional .1 percent. In this connection, however, I should like to point out that if we alter the taxable wage base, of $3,000 in the Senate formula to $4,200, that change would result in a reduction of level premium cost of about two-tenths of 1 percent of payroll. Thus, if we consider together the increment amendment and the amendment to increase the wage base to $4,200, the net increase in cost is under 1 percent of payroll.

With our steadily expanding economy, bringing with it over the years a larger and larger national payroll, I am convinced that the ultimate cost of the insurance system will not, in fact, reach the level of 7 percent of payroll or more if we decide now to include the increment. I say this because I refuse to believe our economy is static. I believe our national payrolls will continue to increase. If they do increase, the insurance system will not cost nearly as much proportionately as we are led to believe by those who base their estimates of future cost on the assumption that our total national payroll will never be larger than it is today.

In closing, Mr. President, I should like to point out that our amendment differs somewhat from the increment provision contained in the House bill. We propose that an increment of 1 percent be paid for each year of covered employment prior to January 1, 1951—thus recognizing the rights which have accrued to those who have contributed to the pension fund during the period that an increment of 1 percent was part of the existing law. We propose further, that an increment of one-half percent annually be added for each year of coverage after January 1, 1951.

Mr. MYERS. Mr. President, on behalf of myself, the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the senior Senator from West Virginia [Mr. KILGORE], the Senator from New York [Mr. LEHMAN], the Senator from Montana [Mr. MURRAY], the Senator from Oregon [Mr. MORSE], the junior Senator from West Virginia [Mr. NEELY], the Senator from Florida [Mr. PEPPER], and the Senator from Utah [Mr. THOMAS], I submit amendments intended to be proposed by us, jointly, to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes. I ask unanimous consent that the amendments, together with an explanatory statement by me, be printed in the RECORD.

The PRESIDENT pro tempore. The amendments will be received, printed, and lie on the table, and, without objection, the amendments and explanatory statement by the Senator from Pennsylvania will be printed in the RECORD. The Chair hears no objection.

The amendments submitted by Mr. MYERS (for himself and other Senators) are as follows:

Amendments intended to be proposed by Mr. MYERS (for himself Mr. GREEN, Mr. HUMPHREY, Mr. KILGORE, Mr. LEHMAN, Mr. MURRAY, Mr. MORSE, Mr. NEELY, Mr. PEPPER, and Mr. THOMAS of Utah) to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, viz:

On page 209, line 14, after the word "benefits" and before the comma insert "or was entitled to disability insurance benefits for the month preceding the month in which he attained retirement age."

On page 254, line 19, strike out "219" and insert in lieu thereof "221."

On page 255, lines 1 and 9, strike out "219" and insert in lieu thereof "221."

On page 259, line 8, strike out "219" and insert in lieu thereof "221."

On page 260, lines 12 and 19, strike out "219" and insert in lieu thereof "221."

On page 263, between lines 23 and 24, insert the following:

"(ii) no quarter any part of which is included in a period of disability (as defined in section 219 (i)), other than the initial or last quarter, shall be a quarter of coverage."

On page 263, line 24, strike out "(ii)" and insert in lieu thereof "(iii)."

On page 264, line 1, strike out "clause (i)" and insert in lieu thereof "clauses (i) and (ii)."

On page 264, line 3, strike out "(iii)" and insert in lieu thereof "(iv)."

On page 264, line 7, after "shall", insert "(subject to clause (ii))."

On page 264, line 8, strike out "(iv)" and insert in lieu thereof "(v)."

On page 266, line 7, strike out "or."

On page 266, strike out line 8, and insert in lieu thereof:

"(B) twenty quarters of coverage within the forty quarter period ending with the quarter in which he attained retirement age or with any subsequent calendar quarter or ending with the quarter in which he died; or

"(C) forty quarters of coverage;

not counting as an elapsed quarter for purposes of subparagraph (A), and not counting as part of the forty quarter period referred to in subparagraph (B), any quarter any part of which is included in a period of disability (as defined in section 219 (i)) unless such quarter is a quarter of coverage."

On page 266, line 10, strike out "or (2) (A)" and insert in lieu thereof "or in clause (A) or (B) of paragraph (2)."

On page 266, between lines 11 and 12, insert the following:

"(4) If an individual upon attainment of retirement age is not, under paragraph (2), a fully insured individual but (were it not for his attainment of retirement age) would have been entitled to a disability insurance benefit for the month in which he attained retirement age or for any subsequent month, he shall be a fully insured individual beginning with the first month for which he would have been so entitled to disability insurance benefits. For the purpose of determining whether an individual would have been so entitled to disability insurance benefits, his application for old-age insurance benefits shall be considered as an application for disability insurance benefits."

On page 266, line 19, strike out the period and insert in lieu thereof ", excluding from such thirteen-quarter period any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage."

On page 268, line 11, strike out the period and insert "and any month in any quarter any part of which is included in a period of disability (as defined in sec. 219 (i)) unless such quarter is a quarter of coverage, and excluding from such total of wages and self-employment income any wages paid in or self-employment income credited to any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage."

On page 268, line 17, after the words "shall be", insert the words "(i) for the purposes of benefits under section 202."

On page 268, line 20, strike out the period and insert ", and (ii) for purposes of disability insurance benefits (under sec. 219) shall be the first day of the quarter in which his disability determination date occurred."

On page 268, line 23, after the word "under," insert "clause (i) of."

On page 268, line 24, after the words "closing date", insert "for the purposes of benefits under section 202."

On page 269, line 7, after "(B)", insert "for the purposes of benefits under section 202."

On page 269, line 16, strike out the period and insert in lieu thereof "or, if the computation is being made for an individual who is entitled to disability insurance benefits with respect to a disability, in or after the month in which occurs his disability determination date for such disability."

On page 273, line 7, after the word "benefits", insert "or his disability determination date."

On page 273, between lines 15 and 16, insert the following:

"(E) For the purposes of this paragraph the term 'primary insurance benefit' includes disability insurance benefit."

On page 297, between lines 5 and 6, insert the following:

"DISABILITY INSURANCE BENEFITS

"SEC. 107. Title II of the Social Security Act is amended by adding after section 218 (added by sec. 106 of this act) the following:

"'PERMANENT AND TOTAL DISABILITY INSURANCE BENEFITS

"'*Conditions of entitlement*

"'SEC. 219. (a) (1) Every permanently and totally disabled individual (as defined in subsection (h)) who—

"'(A) has not attained retirement age,

"'(B) has filed application for disability insurance benefits,

"'(C) is insured for disability insurance benefits, and

"'(D) has been under a disability throughout his waiting period, shall be entitled to a disability-insurance benefit for each month, beginning with the first month after his waiting period in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: he ceases to be a permanently and totally disabled individual, dies, or attains retirement age. Such individual's disability-insurance benefit for any month shall be equal to his primary insurance amount (as defined in sec. 215 (a)) for such month.

"'(2) The term "waiting period" means, with respect to the disability of any individual, the period beginning with the calendar month in which occurred his disability determination date (as determined under subsec. (c)) and ending at the expiration of the sixth calendar month following such month.

"'(3) An individual who would have been entitled to a disability-insurance benefit for any month had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he

files application therefor prior to the end of the sixth month succeeding such month; except that the provisions of this paragraph shall not apply for purposes of determining a period of disability (as defined in subsec. (1)), or when a disability determination date occurred.

"'(4) No application for disability insurance benefits filed prior to 7 months before the first month for which the applicant becomes entitled to receive such benefits shall be accepted as an application for purposes of this section.

"'Determination of insured status

"'(b) An individual is insured for purposes of disability-insurance benefits if he had not less than—

"'(1) six quarters of coverage (as determined under section 213 (a) (2) during the 13-quarter period which ends with the quarter in which his disability determination date occurred; and

"'(2) twenty quarters of coverage during the 40-quarter period which ends with the quarter in which his disability determination date occurred.

In case such individual was previously entitled to disability insurance benefits, there shall be excluded from the count of the quarters in each period specified in paragraphs (1) and (2) any quarter any part of which was included in a period of disability unless such quarter is a quarter of coverage.

"'Disability determination date

"'(c) An individual's disability determination date shall be whichever of the following days is the latest:

"'(1) The day the disability began;

"'(2) June 30, 1951;

"'(3) The first day of the thirteenth month prior to the month in which he filed such application; or

"'(4) The first day of the first quarter in which he would be insured for disability insurance benefits with respect to such disability if he had filed application therefor in such quarter.

"'Determination of disability

"'(d) The Administrator shall make adequate provisions for determination of disability and redeterminations thereof at necessary intervals; he shall provide for such examination of individuals as is necessary for purposes of determining or redetermining disability and entitlement to benefits by reason thereof. An individual shall not be deemed a permanently and totally disabled individual unless he furnishes such proof of his disability as may be required by regulation; and unless the evidence in the case affirmatively establishes his disability. Reexaminations for redetermining the disability of an individual shall be made at periodic intervals except that the Administrator may dispense with such reexaminations of an individual after he has been entitled to disability benefits for 2 years upon finding that such examinations serve no further purpose. Official medical examinations may be performed in existing medical facilities of the Federal Government if services are readily available, and by impartial private physicians, clinics, hospitals, or other medical facilities designated for conducting such examinations. In the case of any individual submitting to an examination to determine his disability there may be paid (1) the necessary travel expenses (including subsistence expenses incidental thereto), either on a flat rate or a commuted basis, of such individual in connection with such examination, and (2) if the examination is made by an individual who is not an employee of the United States, there may be paid, either directly or through appropriate Federal or State departments, agencies, or commissions, the necessary fees, costs of tests, and necessary travel expenses, either on a flat rate or a commuted basis, for such examination. There is hereby authorized to be appropriated for each fiscal year from the trust fund such amount as may be necessary for the purpose of this subsection.

"'Reduction of benefit

"'(e) (1) Where a benefit is payable to any individual under this section and a workmen's compensation benefit or benefits have been or are paid to such individual on account of the same disability for the same month, such individual's benefit under this section for such month shall, prior to any deductions under section 220, be reduced by one-half, or by an amount equal to one-half of such workmen's compensation benefit or benefits, whichever is the smaller.

"'(2) In case the benefit of any individual under this section is not reduced as provided in paragraph (1) because such benefit is paid prior to the payment of the workmen's compensation benefit, the reduction shall be made by deductions, at such time or times and in such amounts as the Administrator may determine, from any other payments under this title payable on the basis of the wages and self-employment income of such individual.

"'(3) If the workmen's compensation benefit is payable on other than a monthly basis (excluding a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments), reduction of the benefits under this subsection shall be made in such amounts as the Administrator finds will approximate, as nearly as practicable, the reduction prescribed in paragraph (1).

"'(4) In order to assure that the purposes of this subsection will be carried out, the Administrator may, as a condition to certification for payment of any disability insurance benefit payable to an individual under this section (if it appears to him that there is a likelihood that such individual may be eligible for a workmen's compensation benefit which would give rise to a reduction under this subsection), require adequate assurance of reimbursement to the trust fund in case workmen's compensation benefits, with respect to which such a reduction should be made, become payable to such individual and such reduction is not made.

"'(5) For purposes of this subsection, the term "workmen's compensation benefit" means a cash benefit, allowance, or compensation payable under any workmen's compensation law or plan of the United States or of any State.

"'Termination of entitlement to benefits by Administrator

"'(f) In any case in which an individual has refused to submit himself for examination or reexamination in accordance with regulations of the Administrator, or has without good cause refused to take all steps necessary to obtain and to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act (29 U. S. C., ch. 4) after being directed by the Administrator to do so, the Administrator may find, solely because of such refusal, that such individual is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased. The Administrator may find that an individual is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased, if such individual is outside the United States and the Administrator finds that adequate arrangements have not been made for determining or redetermining such individual's disability.

"'Cooperation with agencies and groups

"'(g) The Administrator is authorized to secure the cooperation of appropriate agencies of the United States, of States, or of the political subdivisions of States and the cooperation of private medical, dental, hospital, nursing, health, educational, social, and welfare groups or organizations, and where necessary to enter into voluntary working agreements with any of such public or private agencies, organizations, or groups in order that their advice and services may be utilized in the efficient administration of this section.

"'Definitions of "disability" and "permanently and totally disabled individual"

"'(h) For the purposes of this title—

"'(1) the term "disability" means (A) inability to engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent, or (B) blindness; and the term "permanently and totally disabled individual" means an individual who has such a disability; and

"'(2) the term "blindness" means central visual acuity of 5/200 or less in the better eye with correcting lenses. An eye in which the visual field is reduced to 5 degrees or less concentric contraction shall be considered for the purposes of this paragraph as having a central visual acuity of 5/200 or less.

"'Definition of "period of disability"

"'(i) As used in this title, the term "period of disability" means, with respect to any individual, a period of one or more consecutive calendar months for each of which such individual was entitled to a disability insurance benefit and the six calendar months, preceding the first month of such period of one or more consecutive calendar months, except that if such individual ceases to be entitled to disability insurance benefits with respect to a disability because he dies or attains retirement age, the month in which such individual died or attained such age, as the case may be, shall also be included in the period of disability with respect to such disability.

"'Rehabilitation

"'(j) There is hereby authorized to be appropriated for each fiscal year from the trust fund such amount as may be necessary to provide rehabilitation services for the rehabilitation of disabled individuals who are entitled to disability insurance benefits or serving a waiting period for such benefits, where it appears that such services may aid in enabling such disabled individuals to return to gainful work. Insofar as practicable, such services shall be provided through utilization of the services and facilities of State agencies (or corresponding agencies in the case of Territories or possessions) cooperating with the Federal Government in carrying out the purposes of the Vocational Rehabilitation Act, as amended (29 U. S. C., ch. 4). Agencies providing such services shall be reimbursed for the cost thereof.

"'DEDUCTIONS FROM DISABILITY INSURANCE BENEFITS

"'Events for which deductions are made

"'SEC. 220. (a) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit under section 219 for any month—

"'(1) in which such individual rendered services as an employee (whether or not such services constitute employment as defined in sec. 210) for remuneration of more than $50; or

"'(2) for which such individual is charged, pursuant to the provisions of subsection (c) of this section, with net earnings from self-employment (as determined pursuant to subsec. (d)) of more than $50; or

"'(3) in which such individual fails to submit himself for examination in accordance with regulations of the Administrator or

"'(4) in which such individual refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act after direction by the Administrator to do so; or

"'(5) in which such individual is outside the United States if the Administrator finds that adequate arrangements have not been made for determining or redetermining the existence of the disability of such individual.

The Administrator may, if in his judgment it will aid in the process of rehabilitation of any individual, suspend or modify the application of paragraphs (1) and (2) of this subsection for any month during which such individual is receiving rehabilitation services under a State plan approved under the Vocational Rehabilitation Act; except that the Administrator may not so suspend or modify the application of such paragraphs for any month after the eleventh month following the first month for which such suspension or modification was applicable.

"'*Occurrence of more than one event*

"'(b) If more than one event occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"'*Months to which net earnings from self-employment are charged*

"'(c) For the purposes of subsection (a) (2) of this section—

"'(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number of months in such year, no month in such year shall be charged with more than $50 of net earnings from self-employment.

"'(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $50 times the number of months in such year, each month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (a) occurred, or (C) in which such individual did not engage in self-employment.

"'(3) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), and (C) thereof.

"'(4) For the purposes of clause (C) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible for the purposes of this subsection in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"'*Special rule for computation of net earnings from self-employment*

"'(d) For the purposes of this section, an individual's net earnings from self-employment for any taxable year shall be computed as provided in section 211 with the following adjustments:

"(1) Such computation shall be made without regard to the provisions of subsections (a) (2), (c) (1), (c) (4), and (c) (5) of section 211, and

"'(2) Such computation shall be made without regard to the provisions of sections 116, 212, 213, 251, and 252 of the Internal Revenue Code.

"'*Penalty for failure to report certain events*

"'(e) Any individual in receipt (on behalf of himself or another individual) of benefits subject to deduction under subsection (a) because of the occurrence of an event specified therein (other than an event described in paragraph (2) thereof) shall report such occurrence to the Administrator prior to the receipt and acceptance of a disability insurance benefit for the second month following the month in which such event occurred. If such individual knowingly fails to report any such occurrence, an additional deduction equal to that imposed under such subsection shall be imposed, except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to 1 month's benefit even though the failure to report is with respect to more than 1 month.

"'*Report to Administrator of net earnings from self-employment*

"'(f) (1) If an individual is entitled to any disability insurance benefit during any taxable year in which he has net earnings from self-employment in excess of $50 times the number of months in such year, such individual (or the individual in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. If the individual fails within the time prescribed above to make such report of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (a) (2) of this section by reason of such net earnings—

"'(A) such individual shall suffer one additional deduction in an amount equal to his benefit for the last month in such taxable year for which he was entitled to a disability insurance benefit; and

"'(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month';

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted disability insurance benefits and for which deductions are imposed under subsection (a) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by this paragraph and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"'(2) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to disability insurance benefits for any taxable year will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of such benefits payable to him; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (a). The Administrator is authorized, before the close of the taxable year of any individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year'."

On page 297, line 7, strike out "107" and insert in lieu thereof "108."

On page 297, line 8, strike out "218" and "106" and insert in lieu thereof "220" and "107", respectively.

On page 297, line 11, strike out "219" and insert in lieu thereof "221."

On page 297, line 21, strike out "108" and insert in lieu thereof "109."

On page 307, line 12, strike out "109" and insert in lieu thereof "110."

The explanatory statement presented by Mr. MYERS is as follows:

STATEMENT BY SENATOR MYERS UPON INTRODUCING AMENDMENT TO SOCIAL SECURITY BILL TO PROVIDE DISABILITY INSURANCE FOR PERSONS PERMANENTLY AND TOTALLY INCAPACITATED

Mr. President, on behalf of myself and Senators GREEN, HUMPHREY, KILGORE, LEHMAN, MURRAY, MORSE, NEELY, PEPPER, and Senator THOMAS of Utah, I am introducing an amendment to restore the disability-insurance provisions to the social security bill essentially in the form in which they were contained in the bill as it passed the House last year.

In proposing this amendment, I want to make it quite clear that I do not intend to detract from the merits of the bill as it was reported from the Senate Finance Committee. Speaking as a member of that committee, I am very well aware indeed of the conscientious fashion in which the committee worked out the provisions which were finally reported in the bill, and I want especially to pay tribute to the capable leadership of the Senator from Georgia, as chairman of the committee.

A great deal of the committee's attention was directed to the question of disability. A provision for insurance benefits to the disabled was incorporated in the original bill as it was reported from the House Ways and Means Committee, and as I have already indicated earlier, the disability feature was adopted by the House in passing the bill.

A majority of the Senate Finance Committee, however, after considerable discussion, voted to eliminate the House provision at this time.

Essentially, Mr. President, I think we can regard the problem of a person who becomes permanently and totally incapacitated prior

to reaching the retirement age of 65 as simply another phase of the aging process. All of us realize, of course, that there are many persons who are perfectly capable physically and mentally of constructive and useful employment for many years after they have reached the age of 65. On the other hand, there are obviously those who age more rapidly, usually as a result of an accident or of some infirmity which incapacitates them earlier than the age of 65. Whatever may be the cause of the premature disability, the net effect upon that person and upon those dependent upon him is precisely the same as the problem which is faced by one forced into retirement at age 65 or thereafter.

The disabled person, incapable of further employment, faces a loss of income in precisely the same way as one who goes into retirement at 65. But the problem is more serious when we consider that a person who becomes disabled at, say, age 55, has 10 years to wait before he can possibly become eligible for retirement insurance benefits. Moreover, the incapacitated person of 55 ceases to contribute further to the insurance fund with the result that the retirement benefits he might ultimately receive will be reduced or, in many instances, wiped out altogether because he had not contributed a sufficiently long period of time to vest permanently his right to retirement insurance.

Most difficult of all for the 55-year-old worker, and I will continue to use him as an example here, is the bleak prospect of rehabilitation that lies ahead of him. While it is true that substantial strides have been made in recent years through rehabilitation work, there are many types of disability which are of such a serious nature that it is utterly impossible to fit the incapacitated person into any form of gainful employment from which he may derive an income.

Now there have been many arguments advanced against the principle of disability insurance. One of these most frequently heard is directed at the malingerer—that is, the employed person who simply grows tired of working and drums up some plausible ailment, which so he says, makes further employment impossible. Critics of disability insurance contend that once such a provision is brought into being there will be a wholesale exodus of lazy people from their present employment who will choose to sit and wait for a monthly disability check to come in.

What I believe the critics fail to see, Mr. President, is the fact that the disability insurance payments represent but a fraction of the average earnings which the disabled person received while fully employed. In most instances the payments will be but a third or less of the average income received by the incapacitated person while working. This, certainly, Mr. President, is a scant inducement to fraud. Moreover, the disability payments do not depend upon the number of dependents which the disabled person has. A man with a family to support will find no incentive here to abandon a job he is capable of handling in order to receive a payment monthly which is but a small fraction of what he is capable of earning.

But most important of all is my firm belief in the American people—my belief that they will not voluntarily give up to laziness. Those who assert that disability insurance will turn us into a nation of malingerers and laggards have no faith in the fibre and the character of our people.

The amendment which we are submitting, Mr. President, differs in some respects from the provisions as set forth in the House bill. I do want to make it clear that I believe the House gave this problem the most thorough study and that its program was essentially sound. Further study of the House measure, however, indicates several points which can be clarified. I have included these clarifications and improvements in my amendment.

For one thing, it is not clear from the language of the House bill as to how great a burden of proof would be imposed upon the applicant for disability insurance. To my mind, the disabled person should certainly be required to carry the burden of proving his incapacity. This is certainly a necessary safeguard and a just one. The incapacitated person cannot merely contend that he has, for example, an aching back, and thus is no longer able to work. His disability must be such that it can be demonstrated by clear medical proof—medical proof that the disability is permanent and total and of such a nature that he is incapable of any type of work, not just his usual job. A finding would be required which would have to show that the individual has no residual work capacity which would permit him to earn a regular living.

To be eligible for benefits, the worker must have been in covered employment for at least 5 of the 10 years preceding the disability, and, in addition, he must have worked in covered employment for at least half of the 3 year-period immediately preceding disability. Benefits would become payable only after a 6-month waiting period and even then, only in an amount sufficient to give a minimum of security.

The amendment also provides that a person who had received disability payments prior to the age of 65 would be transferred automatically to the ordinary retirement pension on reaching age 65.

The argument is often made that this proposal requires further study, and we often hear that it would be impossible to administer disability insurance objectively and efficiently. Both of these arguments fly squarely into the face of our long-standing experience with hundreds of disability programs—both public and private—which are today administered successfully in every State in the Union.

Disability provisions are found in retirement programs enacted by Congress for Government employees and railroad workers; States and the Federal Government have long administered disability programs under workmen's compensation laws. And, of course, we cannot ignore the long and successful experience gained under programs for disabled veterans.

I think it was quite fully developed in the hearings before the committees of the House and Senate that the disability problem is one of extreme gravity. This certainly is conceded even by those who do not favor the disability insurance principle as the best means of meeting the need. It is estimated that some 2,000,000 persons in our working population who are below age 65 are chronically disabled.

A substantial segment of this group are today cared for by existing public measures—primarily local relief programs—and it is quite generally agreed that the programs now in existence are inadequate to meet the needs of disabled workers with families. There is agreement generally among those who favor and oppose disability insurance that this problem can only be met through some form of public program, and that governmental machinery must be established to provide income maintenance, and furthermore, to assist in rehabilitating as many disabled people as possible.

Those who object to the principle of Federal disability insurance contend that the problem can best be met through public-assistance programs—direct relief grants—supplemented to some extent by private disability insurance.

Thus, Mr. President, it seems to me that those who argue against disability insurance on the ground that lazy people will misrepresent their physical conditions are, at the same time, admitting that it is perfectly all right to support such people under local relief programs. This, to me, is a curious contradiction. However, as I have indicated, I have a sufficient faith in the integrity of the American people to believe that they will work whenever they can find work, that they will do the best they possibly can to enjoy all of the good things of the American way of life which they can possibly earn for themselves. I see no inducement to malingerers in order to get a disability insurance check which is but a small fraction of their earning capacity or to quit work in order to receive relief payments under some local program.

In connection with private disability insurance, I should like to remark that, while such insurance is available of course, these policies are most circumscribed in their operation. They are, for the most part, limited to a small specified list of risks, usually those which might be encountered, say, in a given industrial situation or something of the sort. Moreover, they are expensive and well beyond the means of low-income families. Perhaps the most serious shortcoming of virtually every private disability insurance system is the fact that the limited extent of their coverage fails to provide protection for some of the most common causes of permanent disability. This becomes apparent when you consider that 9 out of 10 accidents which result in a permanent incapacity are not work-connected. Thus, workmen's compensation laws are of no assistance whatsoever where the disability is not work-connected.

A very essential part of any disability insurance program involves the question of rehabilitation work. That is, through the operation of programs which assist the incapacitated person in adapting himself to some form of useful employment from which he may earn a livelihood. Our amendment adds a feature not found in the House bill in this regard. We are proposing to provide additional assistance to State and local governments which will enable them to amplify their existing rehabilitation facilites. Thus, it is not contemplated that the Federal Government will maintain and operate rehabilitation services as such, but rather, we feel that it is in the best interest to have the rehabilitation programs developed and operated on State and local levels. We do recognize, however, that few if any State rehabilitation programs have yet developed to the level that they are today adequate to meet the needs of their disabled populations.

We propose that this assistance to the States in enlarging their rehabilitation facilities should be made available from the insurance fund by earmarking a part of the fund for this purpose. But, I repeat, our fundamental intention here is to permit States and local governments to develop rehabilitation services to meet their particular needs and we are merely using the mechanism of the trust fund to give them some additional help in expanding their services.

In my discussion thus far I have sought to outline the provisions of our amendment and to set forth in a very general way some of the supporting reasoning behind it. This discussion is far from complete. Those Members of the Senate who are familiar with the recommendations of the Senate Advisory Council on Social Security will recall that the Council, speaking through 15 of its 17 members, strongly advised adoption of the disability insurance provision. The Council in the opening paragraph of its discussion on disability insurance had this to say:

"Income loss from permanent and total disability is a major economic hazard to which, like old age and death, all gainful workers are exposed. The advisory council believes that the time has come to extend the Nation's social-insurance system to afford protection against this loss" (p. 69).

The council's report went on to observe:

"The council is strongly impressed with the seriousness of the problems created by permanent and total disability and with the social disadvantages of compelling the vic-

tims of this misfortune to depend upon public assistance. We believe that there is enough administrative ability in our Government organization to provide effective machinery for meeting this pressing social need" (p. 70).

I want to expand somewhat, Mr. President, on the council's observation that public assistance is scarcely the way in which the problem of permanent and total disability should be met. For one thing, as I have already stated, public-assistance programs are quite inadequate to handle this problem. A still more fundamental difficulty, I believe, is found in the fact that public assistance is not a self-supporting program. It is, instead, supported by general tax revenues. Too, as I mentioned in my opening remarks, disability prior to retirement age is simply another phase of the retirement problem. It is premature retirement brought about through some circumstance, generally accidental in nature, which removes a worker from gainful employment prior to the time persons of his age would normally expect to retire. Yet, the problem for the disabled person is just as acute as is that faced by a worker who retires at age 65 or thereafter and is without other income to maintain himself and his family. But, in one sense, this forced premature retirement as a result of disability may have more serious economic consequences than retirement at the normal retirement age. An unexpected disability may come well in advance of the time that a man who is planning for his ultimate retirement may have anticipated. And this I believe is particularly tragic, because disability frequently occurs at the peak of a man's earning capacity, at a time he may be completing the purchase of his home and just beginning to put aside money for his ultimate retirement.

So, in closing, Mr. President, I urge strongly that our amendment be adopted. I believe that a self-supporting insurance system is far and away preferable to the present method which depends exclusively on tax-supported public assistance for the support of our needy disabled. What we are doing, in short, by adopting this amendment, is merely lowering the retirement age for those forced from gainful employment as a consequence of permanent and total disability. I think that this is completely consonant with the concept of social insurance which is designed to provide minimum security for those who suffer income loss as a result of retirement—and I believe it is only consistent that we should recognize retirement may not be caused exclusively by reaching the legally prescribed age of 65.

Adoption of this amendment, Mr. President, would eradicate the shadow of insecurity and virtual destitution which threatens any working person today who might tomorrow find himself totally incapacitated and incapable thenceforth of providing for himself and his family. Social insurance is a dignified means of banishing that shadow. It is self-supporting. It does not carry with it the stigma of a relief hand-out. We have in this amendment a vehicle by means of which those covered by social security may by their contributions to the insurance fund spread the risk of economic tragedy which might befall them in the event of disability.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

As in executive session,

The following favorable reports of nominations were submitted:

By Mr. JOHNSON of Colorado, from the Committee on Interstate and Foreign Commerce:

George E. Sterling, of Maine, to be a member of the Federal Communications Commission for a term of 7 years from July 1, 1950 (reappointment).

ONE HUNDRED AND SEVENTY-FIFTH ANNIVERSARY OF THE CORPS OF ENGINEERS, UNITED STATES ARMY

The PRESIDENT pro tempore. In his capacity as a Senator, the Chair asks unanimous consent to have inserted in the RECORD an editorial about the Corps of Engineers of the United States Army, today, June 16, being the anniversary of the corps, which has done such wonderful things for our country in both peace and war.

This editorial is entitled "Fighting Builders," and was written by Mr. Jack Carley, of the Commercial Appeal, of Memphis, Tenn., and published in the Sunday, June 11, 1950, edition of that paper.

It is one of the most beautiful tributes to the Corps of Engineers the Chair has seen in a long time, and he takes pleasure in having it printed in the RECORD. The Chair calls the attention of all Senators to the editorial and hopes they will read it.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

FIGHTING BUILDERS

Maj. Gen. Richard Gridley was busily supervising construction of Bunker Hill's breastworks on the day General Washington appointed him Chief Engineer of the Grand Army (Continental). Gridley kept on building and made such a good job of it that Britain's crack grenadier guards quit after three unsuccessful assaults against the breastworks and what was behind them. This week the Corps of Engineers, United States Army, is pridefully observing its founding anniversary.

Since Gridley's day the Corps of Engineers has marched far, built much, and fought all comers. Along with that, it has produced such perless military leaders as the South's incomparable Robert E. Lee and the present turbulent world's redoubtable Douglas MacArthur; and that's a reminder that great names and tough jobs have been common with the corps—George Goethals building the Panama Canal; Lew Pick bulldozing a Ledo road into vital usefulness; Bill Hoge directing the taking of the Remagen Bridge with the same ease he'd direct the building of a main-line levee; Don Noce's amphibian engineers putting combat troops ashore in 147 Southwest Pacific beachhead landings.

From Gridley's breastworks in 1775 to the killing drifts of the West's 1948 Operation Snowbound, the "pick-and-shovel soldiers" have helped make gallant American history with sweat and blood and calloused hands. What's written into so fine a record is as imperishable as it has been brave.

We started to felicitate old friends. Somehow it seems more fitting just to say, "Thanks, soldier—and good going."

Mr. STENNIS. Mr. President, I ask unanimous consent to have inserted in the RECORD a statement prepared by me and a proclamation by the Governor of Mississippi commemorating the one-hundred and seventy-fifth anniversary of the United States Corps of Engineers.

There being no objection, the statement and proclamation were ordered to be printed in the RECORD, as follows:

It was a fortunate circumstance that our first great general was an engineer. It was just 175 years ago today that a request of General George Washington was acted upon by the Continental Congress and the Corps of Engineers created.

The Corps consisted of a chief and two assistants and their first job was to throw up the defenses at Bunker Hill; and, their second, to put aside shovels and join in the fighting.

The Army engineers have been serving the National Military Establishment and the Nation down through the years to the present day. The Engineer Corps increased in size and importance through the years as the young Nation moved forward to its high destiny.

The Corps reached its pinnacle of strength in the recent war when 700,000 officers and enlisted men wore the famous castle insignia. It is interesting to note that more than 500,000 of these men were overseas in the thick of battle operations. The greatest single production feat of the war, the development of the atom bomb, was under the direction of the Corps of Engineers.

But, Mr. President, age and size and wartime achievement are not the basic fact about the engineers in their relation to our Nation's growth. The important thing is that they have been kept as active in the service of their country in years of peace as in war.

At every hand, in every State, there is some useful monument to their service, be it a giant dam, a magnificent building, or merely a surveyed boundary line. Year after year, at the bidding of the Congress, they have been entrusted with vast funds and important works. It is a unique tribute to their honesty and integrity that no serious reflection has ever been cast upon their trusteeship.

In my own State the engineers are held in highest esteem for having harnessed the great flood tides that roll down the Mississippi to the sea.

In recognition of their work and as a mark of the people's appreciation, the Governor of Mississippi, the Honorable Fielding Wright, has caused to be issued a proclamation commemorating this one-hundred and seventy-fifth birthday of the Corps of Engineers.

It reads as follows:

"PROCLAMATION

"Whereas June 16 marks the one hundred and seventy-fifth anniversary of the establishment of the Corps of Engineers, United States Army, by the Continental Congress; and

"Whereas this body of trained engineers has, through great courage and resolute spirit, crossed the seas and bridged the rivers to reach our enemies in time of war; and

"Whereas through their civil works program as authorized by the Congress, the Corps of Engineers, United States Army, has improved the Nation's harbors for world trade and harnessed rivers for protection against floods; and for the extension and advancement of water-borne commerce; and

"Whereas the activities of the Corps of Engineers, United States Army, both in peace and war have been of great benefit to this Nation:

"Now, therefore, I, Fielding L. Wright, Governor of the State of Mississippi, do hereby proclaim the day of June 16, 1950, to be Engineers Day and do urge the citizens of the State of Mississippi to pay homage to their past accomplishments, to their mighty war efforts, and pledge our support to their progressive and constructive works during our years of peace.

"In testimony whereof, I have hereunto set my hand and caused the great seal of the State of Mississippi to be affixed, this the 2d day of June 1950.

"F. L. WRIGHT,
"Governor."

ing organization in Europe, Congress will inevitably consider anew several factors:

1. The economic integration of Europe is a bigger job and will take a longer time than was at first realized by most people.

2. The building of an integrated European economy can take place only behind restrictions which will keep out competing United States supplies of certain farm and manufactured products while "infant" soft-currency sources of supply are developed. The hope is that after a transition period the new integrated Europe will be able to stand on its own feet in competition for world markets and that its revived economy will provide a better market for United States exports than ever before. The short-run consequences of such action when the United States is beginning to be conscious of the problem of finding markets for its exports cannot be ignored.

3. The commitment of the United States to a regional military program by our participation in the North Atlantic Treaty may necessitate a regional economic program as a supplement. Nations which are bankrupt or the victims of increasing economic unrest cannot be effective military partners.

4. A strong argument can be made that at some time before 1952 a change in the basis for ECA appropriations should be made: that is, funds should be allocated less and less on the basis of the dollar deficits of the receiving countries and more and more to finance programs for constructive development. An appropriation to underwrite the European Payments Union would be a step in this direction.

Such an appropriation should not be made as an addition to ECA aid. Every dollar Europe receives from any source eases its dollar shortage. An appropriation to finance a clearing arrangement should be a diversion of dollars which would otherwise have been allocated to individual countries.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal oldage and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

The PRESIDING OFFICER. There being no further routine business, the Senator from Florida [Mr. HOLLAND] is recognized under the unanimous-consent agreement.

Mr. HOLLAND. Mr. President, I note that in his opening statement in the debate of the pending measure, H. R. 6000, the distinguished chairman of the Senate Committee on Finance [Mr. GEORGE] speaking for himself and as chairman of the committee, advised the Senate that under the recommendations of the committee about 1,000,000 persons engaged in agricultural work are brought under the social-security system. I quote from the statement of the Senator from Georgia, as follows:

Workers on farms who are employed by one employer at least 60 days and earn $50 or more in a calendar quarter are covered, and, in addition, border-line agricultural workers, such as those engaged in processing and packing of agricultural and horticultural commodities off the farm, are brought under the system. These groups total about 1,000,000 persons. The committee gave careful study to the extension of coverage to workers on farms. It proposes this limited extension of coverage at this time in order to assure simplicity of administration for the farmer. There is no question but that workers on farms, including migratory workers and share croppers, need social-security protection. The public-assistance loads in the agricultural States reflect this need. To go beyond the coverage that is proposed in the bill, however, without further study of the administrative problems that would arise, would be impracticable. I regret that I am compelled to advocate delaying the extension of coverage to agricultural workers not covered by the bill until a thorough study of the feasibility of such coverage has been made.

Later in his statement the able Senator from Georgia made further reference to the same subject in the following words:

As I indicated earlier, the bill does not provide social-security protection for all citizens of the Nation. Some groups, such as share croppers, migrant agricultural labor, and part-time domestic servants, who are not brought under insurance coverage, need protection. I regret that further extension of coverage must await more detailed study of the problems inherent in bringing additional persons within the system.

I fully approve the conclusion reached by the Senate Committee on Finance that workers on farms need social-security protection. I also approve their recommendation that all of such workers who can be brought under the protection of the system at this time without bringing on complex bookkeeping and administrative burdens for the farmers should be included within the scope of the pending amendments.

Inasmuch as only a part of the agricultural workers are included within the amendment, whereas a larger part are excluded, I think it is highly desirable to clarify the subject for the record as much as possible. Since the Senator from Georgia is absent on official business I should like to address several questions to the distinguished junior Senator from Colorado [Mr. MILLIKIN], ranking minority member of the committee, relating to those provisions of the pending bill which deal with the subject of agricultural labor. I shall appreciate it if the Senator from Colorado will accord me that privilege.

Mr. MILLIKIN. Mr. President, if the Senator will yield, I wish to say that I shall be delighted to do the best I can.

Mr. HOLLAND. I thank the Senator.

My first question is this. At the top of page 263 of the printed bill, in section 104 (a) of the bill, there appears as a part of section 213 of the amended Social Security Act the following verbiage:

SEC. 213. (a) For the purposes of this title—

(1) The term "quarter" and the term "calendar quarter" means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

Applying the definition just quoted to that portion of the bill that deals with agricultural labor, is it possible to construe the terms "quarter" or "calendar quarter" to mean a 3 months' period commencing with the first day of the employment of any agricultural laborer, or is the time of employment of an agricultural laborer under the terms of this bill computed strictly with reference to the calendar quarters defined by that portion of the bill which I have just quoted?

Mr. MILLIKIN. Mr. President, I do not believe it is possible to construe the terms "quarter" or "calendar quarter" to mean a 3 months' period commencing with the first day of the employment of any agricultural labor. It seems clear to me that the language means a calendar quarter, the first quarter being the first 3 months starting from the first of the year, the second quarter being the next 3 months, and so on, until we have four quarters.

Mr. HOLLAND. I thank the Senator.

I next refer to that portion of the bill appearing as part of section 210 of the amended Social Security Act (a) (1) (A), beginning at line 16, page 240 of the printed bill, and extending through line 7 of page 241, which reads as follows:

Except that, in the case of service performed after 1950, such term shall not include—

(1) (A) Agricultural labor, as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some 60 days during such quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (as determined under clause (i)) by such employer in the performance of such labor during the preceding calendar quarter.

My second question to the distinguished Senator from Colorado relates to the requirement that an individual farm employee shall be deemed to be regularly employed by an employer during a calendar quarter, only if such individual performs agricultural labor for such employer "on each of some 60 days during such quarter." What is the meaning of the words "some 60 days," as appearing in the section of the bill from which I have just quoted?

Mr. MILLIKIN. The use of the word "some" is to afford a distinction between 60 consecutive days of labor during the quarter and 60 unconsecutive days of labor during the quarter.

Mr. HOLLAND. In other words, whether the 60 days are consecutive or not, if they appear as days within the calendar quarter, they will satisfy this particular requirement of the bill. Is that correct?

Mr. MILLIKIN. Exactly.

Mr. HOLLAND. My third question relates to the words "for some portion of the day" as they appear in the section which I last quoted. Am I correct in my understanding that if the employee performs agricultural labor for the employer during any portion of a calendar day during a calendar quarter, whether such portion shall be for only a few minutes or for any number of hours of said calendar day, such calendar day shall count as 1 day of employment during said calendar quarter?

Mr. MILLIKIN. I think the Senator is entirely correct in his interpretation.

Mr. HOLLAND. My fourth question is this. Then the hours worked by the employee bear no relation whatever to

the day factor, either by way of permitting the employer to add together part-time work in a group of several days to make 1 day or by way of fixing any limitation on the number of hours of work in any 1 day which should count as a full day, with the right of the employee to carry over any excess number of hours of work to another or a different day?

Mr. MILLIKIN. The employee or the employer would not have any right to carry over any of the hours of 1 day's work to some other day.

Mr. HOLLAND. My fifth question is this: If the agricultural worker qualified under the term employment for the first quarter, both by working 60 days and by receiving cash remuneration of $50, is it not correct that for the second of two consecutive quarters, the only requirement for coverage under the term employment is the payment of $50 of cash remuneration during the second quarter?

Mr. MILLIKIN. The distinguished Senator is entirely correct.

Mr. HOLLAND. My sixth question is this: What provision of the bill, if any, will prevent an employer from employing an agricultural worker 59 days or less in a quarter and rehiring him in the succeeding quarter for 59 days or less, thus depriving the worker of the coverage of the law?

Mr. MILLIKIN. There is nothing in the bill which would prevent that.

Mr. HOLLAND. My seventh question is this: What provision of the bill, if any, will prevent an employee who does not want to make contributions under the bill from working 59 days or less in a quarter for a single employer, and then ceasing work or going to work for another employer, thus avoiding coverage under the law?

Mr. MILLIKIN. My answer is that there is no provision of the bill which would prevent a practice of that kind.

Mr. HOLLAND. My eighth question is this: Referring to the statement of the Senator from Georgia [Mr. GEORGE], on page 8615 of the CONGRESSIONAL RECORD of June 13, 1950, to the effect that migrant agricultural labor is not brought under insurance coverage by the pending measure, is it not true that this statement is based entirely on the provision which may be referred to as the 60 days and $50 provision in section 210 (a) (1) (A), which I have quoted into the RECORD? In other words, there is no express reference to migrant agricultural labor, as such, by the terms of the pending measure, is there? Also, is it not true that part-time employees are equally excluded, along with migrant employees, under that provision?

Mr. MILLIKIN. Answering the first question first, let me say that I do not recall any specific reference in the bill to migrant agricultural labor, described as such. The Senator is entirely correct when he says that the basic definition, that which excludes a migrant worker from the coverage of the bill, is in the language he has quoted.

Mr. HOLLAND. That is, in the 60-day and $50 provision?

Mr. MILLIKIN. Yes; in the 60-day and $50 provision.

Mr. HOLLAND. Am I also correct in saying that, by the same provision, part-time labor—that is, labor which has not been employed 60 days in any calendar quarter and has not received $50 in such calendar quarter—is also excluded, along with migrant labor, from the coverage of the law?

Mr. MILLIKIN. That is true.

Mr. HOLLAND. My ninth question is this: Is it not true that share croppers are excluded from the coverage of the bill? If so, is it not true that this exclusion of share croppers arises entirely under the cash-remuneration requirement in section 210 (a) (1) (A)? In other words, is it true that there is no express reference to share croppers, as such, by the terms of the pending measure?

Mr. MILLIKIN. I do not recall any description of share croppers, as such, in the pending measure.

Mr. HOLLAND. Is it true that they are excluded from coverage, as stated by the distinguished senior Senator from Georgia [Mr. GEORGE], by the use of the words "cash remuneration," which is required to constitute any regular employee?

Mr. MILLIKIN. That is correct.

Mr. HOLLAND. My tenth question is this: When is the employer privileged to begin making deductions for social-security tax from the compensation of the employee? We have received a considerable number of requests on this point from vegetable producers in the State of Florida, who, recognizing the fact that it will not be known until late in the quarter whether an employee is covered or is not covered, are disturbed about the question of whether they should begin to make deductions to cover the employee's contributions to this tax at the first employment, or only after the 60 days of labor have been completed, thus qualifying the worker to come within the term of "regular agricultural employee."

Mr. MILLIKIN. As a matter of right, as distinguished from what might be an agreement between the employer and the employee, I would say there is no right to make a deduction until 60 days have been worked in a calendar quarter. That leaves, I suggest, sufficient protection to the employer.

I assume that the Senator has in mind, perhaps, some worker who may be working for 60 days, being paid, we will say, weekly, and perhaps disappearing before the proper deductions are made. I think that, as a practical matter, the last week's work, or whatever the number of days that would be involved, would provide sufficient wages out of which the employer could make his deduction. The reason for being required to wait that long is that the worker has a right to quit after the first week, or at any time short of a full quarter, and it would be unfair to make a deduction from his first week's pay, if he left after that time, before completing 60 days' work in the quarter, because he would not be owing anything; and, on the other hand, the employer is not obligated to make any reports or payments until after the man has worked 60 days.

Mr. HOLLAND. As another part of the same question, I should like to ask the distinguished Senator this: If deductions for the tax are made by an employer, and the employee works less than 60 days, is it not true that the employee is entitled to a refund under such conditions?

Mr. MILLIKIN. He certainly would be. That carries me back to a remark I made a moment ago. If by agreement between employer and employee, the employer were entitled to take out the tax week by week, obviously I should think such an agreement would require a rebate of the money. Otherwise, I do not believe the question arises, because, as I suggested before, the employer has no reporting obligation and no paying obligation until after the 60-day period during the quarter, and he will have the opportunity, I suggest, let us say during the last week, of having sufficient money due the employee to make the necessary withholding.

Mr. HOLLAND. My eleventh question is this——

Mr. MILLIKIN. May I make one more suggestion?

Mr. HOLLAND. I shall be glad if the Senator will.

Mr. MILLIKIN. The amount is 1½ percent of the rate of the worker's wages, and as a practical matter that 1½ percent, applied to any wages which might be received by the type of employee the Senator is discussing, would allow, perhaps even out of one day's employment, considerable leeway for the deduction at the end of the quarter.

Mr. HOLLAND. My eleventh question is this: Referring to section 210 (a) (1) (A), line 24, page 240, through line 7, page 241 of the printed bill, is it not true that under this provision agricultural workers working side by side in a farmer's field will be differentiated as to whether they are subject to social-security benefits by virtue of the number of days they have worked for that particular employer during the previous calendar quarter?

Mr. MILLIKIN. That is entirely correct.

Mr. HOLLAND. My twelfth question is this: I note that there is no definition of the word "employer" stated in the bill itself, as there is of the word "employee," and of most all the other terms. Will the Senator state for the RECORD the definition of the word "employer" which he would regard as appropriate for the purposes of this bill?

Mr. MILLIKIN. I should not want to attempt an off-the-cuff definition of the word, but I think that, in common parlance, it has a very well-defined meaning. It is the man who pays the wages, and it is the man who has control and direction over the employee's labor.

Mr. HOLLAND. I will not press the Senator, but will he say for the record that the proper definition of this term for the purposes of this bill would be the common-law definition as the same may be affected by any of the specific verbiage of the bill?

Mr. MILLIKIN. Yes; I would say so.

Mr. HOLLAND. The Senator has been extremely patient, which I appreciate.

Mr. MILLIKIN. I wish to express my appreciation of the very finely phrased and important questions which the Senator from Florida has propounded.

Mr. HOLLAND. I thank the Senator. It seemed to the Senator from Florida, in view of the fact that only a small fraction of the total of agricultural workers was to be covered under the terms of the proposed bill, and that many of its terms were new to the body of our law, that it was highly appropriate, if not necessary, that this entire matter be explored for the protection of the worker and for the protection of employers in the agricultural field, particularly under the statement of the Senator from Georgia, that the committee had sought to confine itself, by the additional and partial coverage given in that field under this bill, to such coverage as could be effected without bringing undue hardship or complexity or administrative difficulties upon the farmers of the Nation.

Mr. MILLIKIN. I think the Senator's questions are especially pertinent, due to the conditions that exist in his own State and in other States which have somewhat comparable situations, where a large amount of migrant labor is necessary for the harvesting of the crops.

Mr. HOLLAND. I thank the Senator. I should like to ask one additional question, because I think it is wholly pertinent. So far as migrant labor is concerned, is it correct that there is nothing whatever to exclude migrant labor by reason of the mere fact that the workers travel from place to place, provided that they stay in any one place of employment under one particular agricultural employer so long as to have worked 60 days and to have received $50 in cash remuneration during any calendar quarter, as set forth in the bill?

Mr. MILLIKIN. The Senator is entirely correct. In asking his question, I am sure he has in mind what happens in the second quarter, where a man has complied with the conditions affecting the first quarter. He does not have to work 60 days in the second quarter; he can work any amount of time, if he gets $50 during that time.

Mr. HOLLAND. I thank the Senator. The real purpose of my question was to make it clear that there was no purpose on the part of the committee, nor will there be any purpose on the part of the Senate if it passes this measure—which I hope it will—to exclude any workers or their families from the coverage of the law by reason of the mere fact that they travel from place to place in following the crops and therefore come within the accepted category of the term "migrant" or "migratory agricultural workers."

Mr. MILLIKIN. They would be clearly included in the coverage if they met the 60-day and $50 per quarter requirements.

Mr. HOLLAND. I am deeply appreciative of the kindness and the patience of the Senator from Colorado.

Mr. MILLIKIN. I thank the Senator very much.

THE CALENDAR

The PRESIDENT pro tempore. The next order of business is the call of the calendar.

Mr. STENNIS. Mr. President, not being able to tell the time at which the questions were going to be concluded, quite a number of Senators are absent. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Hickenlooper	Maybank
Benton	Hill	Millikin
Bridges	Holland	Mundt
Butler	Hunt	Myers
Cain	Ives	Neely
Chapman	Johnson, Colo.	O'Mahoney
Chavez	Johnson, Tex.	Robertson
Connally	Kefauver	Russell
Cordon	Kem	Saltonstall
Darby	Kerr	Schoeppel
Donnell	Kilgore	Smith, Maine
Dworshak	Knowland	Smith, N. J.
Eastland	Leahy	Stennis
Ecton	Lehman	Taft
Ellender	Lodge	Thomas, Utah
Ferguson	Lucas	Thye
Flanders	McCarran	Tobey
Frear	McCarthy	Tydings
Fulbright	McClellan	Watkins
Gillette	McFarland	Withers
Green	McKellar	Young
Gurney	McMahon	
Hayden	Malone	

The PRESIDENT pro tempore. A quorum is present.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that the President had approved and signed the following acts:

On June 12, 1950:

S. 947. An act for the relief of the Baggett Transportation Co. Inc.;

S. 1510. An act for the relief of James I. Bartley;

S. 1798. An act for the relief of Mrs. Minda Moore; and

S. 2646. An act for the relief of the Articaire Refrigeration Co.

On June 13, 1950:

S. 1863. An act for the relief of Fremont Rider; and

S. 2385. An act for the relief of Edward C. Ritchie.

On June 14, 1950:

S. 274. An act for the relief of Constantin E. Aramescu;

S. 1423. An act for the relief of Alex Morningstar;

S. 1856. An act for the relief of Sisters Maria Rita Rossi; Maria Domenica Paone, Rachele Orlando, Assunta Roselli, Rosa Innocenti, and Maria Mantinelli;

S. 1959. An act to commemorate Jim White and his contribution to the early history of Carlsbad Caverns, in the State of New Mexico, and for other purposes;

S. 2108. An act for the relief of Italo Vespa de Chellis;

S. 2117. An act to provide for the designation of the reservoir to be formed by the Davis Dam on the Colorado River as Lake Mohave;

S. 2274. An act to provide for the addition of certain lands to El Morro National Monument, in the State of New Mexico, and for other purposes;

S. 2969. An act to authorize relief of authorized certifying officers of terminated war agencies in liquidation by the Department of Commerce; and

S. 3226. An act to authorize relief of authorized certifying officers of terminated war agencies in liquidation by the Department of Interior.

On June 15, 1950:

S. 356. An act for the relief of Hugo Geiger;

S. 404. An act for the relief of Emma L. Jackson;

S. 749. An act for the relief of Ferd H. Gibler;

S. 977. An act for the relief of Jacques Yedid, Henriette Yedid, and Ethel Danielle Yedid;

S. 1693. An act for the relief of Karin Margareta Hellen and Olof Christer Hellen;

S. 1719. An act to amend section 3 of the act of Congress approved June 28, 1906, relating to the Osage Indians of Oklahoma;

S. 1739. An act to amend section 4934 of the Revised Statutes (U. S. C., title 35, sec. 78), as amended, to permit public libraries of the United States to acquire back copies of United States letters patent, and for other purposes;

S. 1929. An act for the relief of Anna Samudovsky;

S. 2338. An act for the relief of J. M. Arthur; and

S. 3093. An act to amend section 82 of the Hawaiian Organic Act relating to the Supreme Court of the Territory of Hawaii and temporary vacancies therein.

DELIVERED-PRICE SYSTEMS AND FREIGHT-ABSORPTION PRACTICES—VETO MESSAGE (S. DOC. NO. 184)

The PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which was read and, with the accompanying bill, ordered to lie on the table and to be printed:

To the Senate:

I am returning herewith, without my approval, S. 1008, a bill to define the application of the Federal Trade Commission Act and the Clayton Act to certain pricing practices.

It is the purpose of this bill to eliminate confusion and uncertainty under these acts regarding the legality of freight absorption and the sale of goods at delivered prices. Further, the bill provides a definition of the extent to which "good faith" meeting of competition is a defense against a charge of illegal price discrimination.

It is obviously desirable for laws to be as clear as possible. After careful study, however, I am convinced that the bill would not achieve the clarification which is desired. Instead, through the introduction of new and uncertain legal terminology, and through its confusing legislative history, the bill would obscure, rather than clarify, the law. As a result, it would make it more difficult for businessmen, administrative agencies, and the courts to understand and apply the legal safeguards against monopoly and unfair competition. Moreover, the bill contains provisions which might be interpreted, after protracted litigation, to impair the effectiveness of the antitrust laws.

Because of the increasing complexity of our economic system, the laws protecting fair competition have been amended from time to time, and the judicial decisions interpreting those laws have taken account of specific situations not anticipated by those who drafted the laws originally. When further amendments of the antitrust laws are needed to meet new problems, they should be enacted in a form which clearly preserves the basic purpose of these laws—the protection of fair competition and the prevention of monopoly.

committed to a three-step program. With any assurance of administrative backing they would form a patriotic organization to project the spirit and will of the American people through the Russian curtain into the eyes and ears and hearts of the people of Russia. This would be done in news sheets, leaflets, magazines, and radio programs.

Along with this should go a stepping up of the use of existing Government agencies to pour information into Russia and her satellites. This was the purpose of Senate Resolution 243, submitted by the junior Senator from Connecticut, of which I, myself, was one of the 13 sponsors from both sides of the aisle.

The third step would be to create underground machinery for penetrating the iron curtain with this gospel of friendship, understanding, and cooperation. The agents of this crusade would be the Russian escapees now in Europe. I have had letters from more than one of them indicating their desire to do something constructive instead of rusting their lives away in exile. The means are at hand. Let us use them.

Surely, Mr. President, here is a plan worth getting behind and supporting. When soldiers work for peace and present a clear-cut plan for undertaking it, the rest of the country, and certainly its Government, cannot refuse its support.

Mr. President, and I speak now both to the President of the Senate and to the President of the United States, let us go on the offensive and end the cold war.

Mr. President, I express my thanks to the Senator from Washington for yielding to me in order that I might make the statement.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

Mr. KNOWLAND. Mr. President, will the Senator from Washington yield to me for a statement, not to exceed 10 minutes, relative to an amendment I am submitting to the pending bill?

Mr. CAIN. Mr. President, the Senator from Washington asks unanimous consent that the Senator from California be permitted to speak for 10 minutes without the Senator from Washington losing his right to the floor.

The PRESIDING OFFICER (Mr. LEHMAN in the chair). Without objection, it is so ordered, and the Senator from California may proceed.

Mr. KNOWLAND. Mr. President, at this point in the RECORD, as a part of my remarks, I should like to have printed a copy of an amendment which I have heretofore submitted to House bill 6000, to extend and improve the Federal old-age and survivors insurance system, and so forth, and along with that I should like to have printed immediately following it a telegram which I have received from James G. Bryant, director of employment, California Department of Employment; a telegram from Harry Benge Corzier, chairman, and Dwight Horton, and Dean W. Maxwell, commissioners, of the Texas Employment Commission; and a telegram from Gov. Allan Shivers of Texas.

There being no objection, the amendment and the telegrams were ordered to be printed in the RECORD, as follows:

AMENDMENT INTENDED TO BE PROPOSED BY MR. KNOWLAND TO H. R. 6000

At the end of the bill add the following:

"PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

"SEC. 405. (a) Section 1603 (c) of the Internal Revenue Code is amended (1) by striking out the phrase 'changed its law' and inserting in lieu thereof 'amended its law', and (2) by adding before the period at the end thereof the following: 'and such finding has become effective. Such finding shall become effective on the ninetieth day after the governor of the State has been notified thereof unless the State has before such ninetieth day so amended its law that it will comply substantially with the Secretary's interpretation of the provision of subsection (a), in which event such finding shall not become effective. No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State.'

"(b) Section 303 (b) of the Social Security Act is amended by inserting before the period at the end thereof the following: ': *Provided*, That there shall be no finding under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction under such State law: *Provided further*, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law'."

SACRAMENTO, CALIF., *June 15, 1950.*

Senator WILLIAM KNOWLAND,
Senate Office Building:

Confirming our conversation re amendment to H. R. 6000 the various States are now subject to pressure from Secretary of Labor's office on unemployment insurance benefit decisions if unions disagree with such decisions, as was the case in the maritime conformity issue involving California last December. Under the proposed amendment employers or unions involved must exhaust their judicial remedies in the State courts and until such is done the Secretary of Labor would not be able to raise a conformity question. After decision by the Supreme Court the Secretary of Labor may then raise conformity question and provide the State with opportunity for hearing thereon in the event the Secretary of Labor then made findings of fact and conclusions of law that the State statute as interpreted by the State supreme court did not conform to the standards laid down in section 1603 of the Internal Revenue Code, his decision would be held in abeyance for 90 days in order to permit the State to convene its legislature and amend the State law to bring it into conformity with the Federal standards. Such an amendment is highly desirable in order to achieve proper Federal-State relationship as it affects the unemployment insurance program. The background of the California conformity hearing of last December is being sent you under separate cover, air mail, today.

JAMES G. BRYANT,
Director of Employment, California Department of Employment.

AUSTIN, TEX., *June 15, 1950.*

Senator WILLIAM F. KNOWLAND,
United States Senate,
Washington, D. C.:

The Texas Employment Commission warmly commends you for sponsoring amendment to H. R. 6000. We are sure all of the State agencies are grateful to you.

HARRY BENGE CORZIER,
Chairman.
DWIGHT HORTON,
Commissioner.
DEAN W. MAXWELL,
Commissioner.

AUSTIN, TEX., *January 15, 1950.*

Senator WILLIAM F. KNOWLAND,
United States Senate,
Washington, D. C.:

Your amendment to H. R. 6000 is highly appreciated by me as I am sure it is by governors of other States.

ALLAN SHIVERS,
Governor of Texas.

Mr. KNOWLAND. Mr. President, the unemployment-compensation amendment I propose is made necessary by recent events to which I shall refer.

As we know, the Federal unemployment-compensation-tax laws impose a 3-percent tax on employers. When a State has an unemployment-compensation law containing provisions specified in the Federal law, employers subject to the State law receive a 90-percent credit against the 3-percent Federal tax, and accordingly pay one-tenth of that amount, or three-tenths of 1 percent. The States under the Social Security Act receive Federal grants covering their entire administrative costs in operating their systems. Today every State is receiving these grants and employers covered by every State system are receiving this 90-percent credit against the Federal tax.

The Secretary of Labor is required under existing law, on December 31 of each year, to certify for the 90-percent tax credit against the Federal tax each State whose law has been approved as containing the provisions required in the Federal law. However, he is not to certify if he finds either that the State has so changed its law that it no longer contains the required provisions, or that the State has failed during the year to comply substantially with these provisions. On such a finding he can withhold tax credit certification. Without the Secretary's certification, taxpayers of the State must pay an additional penal Federal tax of nine times their normal tax, in addition to any State tax. Furthermore, the Federal grants to the State for all administrative purposes will be withheld.

During more than a decade of operation before the authority over tax credit was transferred to the Labor Department, although there have been thousands of claims decisions, no hearing was ever held on the question of State conformity to the Federal law arising from such decisions. But there were hearings last December, just before the deadline for tax credit certification, on the question of whether the States of California and Washington would be certified.

Neither State was accused of failing to conform to the federally required provi-

sion by virtue of a legislative change in its law or by virtue of its court's interpretation of its law. Each State was cited to a hearing in Washington, D. C., because of mere appealable administrative applications of the law in certain claims cases. Nobody can know how the claims would have been decided under the State law, as the claimants had not completed the normal procedure under that law of establishing their rights.

What happened was that late last November both States were notified to appear at the Labor Department, and in December were tried by a minor official of that Department on the issue of the State being out of conformity—because of these appealable administrative claims actions.

These States escaped the penalty of having their grants withheld and the State unemployment compensation taxpayers of these States escaped in excess of $200,000,000 in tax penalties only because the State agencies agreed at the last minute to meet the Secretary's demands.

Thus, even assuming that the initial claims actions complained of were incorrect, and contrary to the Federal provisions, it is utterly disruptive of State administration of its law for the Secretary to concern himself with this kind of day-to-day appealable action. It disrupts all the State corrective machinery, and interjects the Federal administrators into the State administrative processes, in effect denying to the State court charged with the duty of final action the right to hear and correct administrative errors.

Yet, because of his conclusion that certain appealable administrative actions were erroneous, the Secretary insisted that the State itself should be held out of conformity and denied grants, and that employers subject to that act be penalized an extra tax equal to 2.7 percent of their payrolls for the year unless the State administrator immediately capitulated to the Secretary's requirements.

Such a development raises a vital issue—whether the State claims procedure is to be scrapped. So far, the Secretary has actually intervened between the highest level of administrative decision and appeal to the State courts for interpretation and application of State law. Tomorrow he may step in between initial claims action and the administrative appeal from such action. It is not compatible with State administration that the Federal Secretary of Labor, rather than the review forum specified in State law, should pass on day-to-day problems. The Federal interest is certainly amply protected by the Secretary awaiting a final decision of the State on a case before deciding that the State is out of conformity.

The proposed amendment clarifies congressional intent as to the point at which the Secretary may act to hold a State out of conformity. It merely requires that the Secretary shall not intervene in State proceedings on appealable matters, but shall act only after the State itself has spoken finally through its highest appeal forum. This provision merely gives the State an opportunity to follow through its prescribed procedure in determining whether to give or deny benefits to the claimants in question. The limitation on the Secretary's action in no way deprives him of his subsequent authority to determine whether the State is or is not out of conformity with the Federal statute after the review procedure of the State has been completed.

The second important provision of the amendment gives the State a 90-day period to get in conformity after the Secretary has held the State to be out of conformity. In the two cases previously cited, the State administrators were able to meet the Secretary's demands because the claims in question had not become a matter of court decision. The situation may be that it is a court interpretation rather than an administrative interpretation which the Secretary finds to throw the State out of conformity with Federal standards. In such a situation it would be impossible to obtain immediate compliance by administrative action, as occurred in the two recent cases. It would be necessary to convene the legislature after the court decision, and where the decision is late in the year legislative action might be impossible before the December 31 deadline. After this deadline, State legislative action could not relieve the State of the penalties. The amendment would merely give the State a 90-day compliance period and relieve the State of the penalties of the Secretary's action if, and only if, the State conformed with the Secretary's interpretation of the Federal standard within this 90 days.

Mr. President, I think that all Members of the Senate who have expressed an interest in States' rights and in proper administrative procedures in the several States of the Union which have a responsibility should support this amendment.

Mr. CAIN. The Senator from Washington has been very much interested in what the Senator from California has stated, and wishes now to associate himself with the views expressed by the Senator from California. He joins with the Senator from California in hoping sincerely that the amendment proposed by him will be adopted by the Senate next week.

Mr. KNOWLAND. Mr. President, I should like to take this opportunity of expressing my appreciation to the Senator from Washington for yielding. One of the cases to which I referred grew out of a situation in the State of Washington. I think the amendment involves a question of tremendous importance to every Member of the Senate. The reason I took the opportunity of interrupting the Senator from Washington at this point was because I wanted the material, which included a telegram from the Governor of Texas, from the Texas Commission on Unemployment, and from the State of California, to be in the RECORD so that it might be examined by Members of the Senate as background material on this subject.

Mr. CAIN. Mr. President, when the junior Senator from Washington yielded late yesterday afternoon to make way for a conference report on the bill (H. R. 2143) to amend the Hatch Act the Senator from Washington was discussing the pending business, House bill 6000, and was when interrupted analyzing the Finance Committee report on House bill 6000. The Senator from Washington hopes to conclude this analysis within the hour.

The argument which the Senator from Washington has been and is presenting is being offered in the hope that appropriate committees of the Congress will shortly undertake to recommend to the Congress and the Nation a new social-security system to replace our prevailing system which was established in 1935. It is generally admitted by both those who advocate and those who resist the passage of House bill 6000 in this session of the Congress that our prevailing social-security system has fallen so far short of achieving its objective, which is that of providing for the legitimate needs of America's aged population, and is so possessed of fundamental and basic faults and inequities, that this system must be replaced in time, and the sooner the better, with a system which would probably provide for universal coverage and be maintained on a true pay-as-you-go or annual basis. In recognition of this obvious need the Committee on Finance has offered a resolution to authorize and encourage a study of every possible social-security system. The Senator from Washington is of the considered view that this study and the resulting recommendations ought to be made before House bill 6000 is passed. It seems, however, to be the consensus of opinion that House bill 6000 ought to be and will be approved by the Senate next Tuesday. The Senator from Washington is offering his criticisms of House bill 6000 in an effort to be of constructive assistance to any group which may be formed to encourage future social-security improvements which are so imperatively required.

Mr. President, in recent weeks the junior Senator from Washington has carried on correspondence with a number of persons throughout the United States for whose judgment and ability he has considerable respect. A good many of these persons to whom the Senator from Washington has written represent American corporations and companies in which Americans by the tens of millions have invested their savings. It seems to the Senator from Washington that others aside from himself—and I think this is likely to be so—ought to be terrifically and thoughtfully interested in the observations which have been made to the Senator from Washington by those who now manage, and have so successfully managed in recent decades, the savings which belong to the American people. I have before me at the moment only two letters, which I wish to read. The first one was received under date of June 13, 1950, and was written by Mr. J. W. Scherr, Jr., executive vice president of the Inter-Ocean Insurance Co., which has its executive offices in Cincinnati, Ohio.

Mr. Scherr writes as follows:

SIR: I was indeed interested in your speech before the Senate on the subject of an investigation of the social-security program. Apropos to this subject, I have just returned

from a meeting in New York of the Health and Accident Underwriters Conference and as might be expected, your stand on the question of H. R. 6000 and the future of our social-security system has commanded the respect of the entire insurance industry. I assure you that those of us who deal in probabilities and who are vitally concerned with the economic welfare of the people of this country are not entirely selfish in our opposition to further extension of the program. We feel that any system which completely ignores the insurance principle must eventually fall by its own weight and we are prepared to help you fight your battle with the tools at hand.

Mr. Scherr goes on to say:

I am today sending the following telegram to Senators WALTER GEORGE, HARRY BYRD, EUGENE MILLIKIN, HUGH BUTLER, and ROBERT A. TAFT.

The telegram is quoted as follows:

Urge that you act favorably on Cain resolution 92. H. R. 6000 not compatible with insurance principle and can virtually destroy our economy. Reconsideration of entire social-security program essential to future of country.

Mr. Scherr concludes his letter by saying this:

I appreciate the urgency of this matter and feel that the strategy which you have employed to defeat H. R. 6000 or to delay action on this bill represents a great service to the Nation.

Cordially yours.

Mr. President, I should like to say to Mr. Scherr, in reply, at this time, that the junior Senator from Washington has stated what he feels to be a fact, that H. R. 6000 will be passed in the Senate of the United States next Tuesday. The Senator from Washington is very grateful to be a medium through which the views of Mr. Scherr and other thoughtful actuarial students can be offered to the Senate.

The junior Senator from Washington feels that the contributions to be made by Mr. Scherr and his associates throughout this land will constitute a prime case to lay before whatever commission or group or committee is established, either by the Senate or by the House, or by both branches of the Congress, to reexamine the system and make recommendations for the future with respect to the social-security program needs of the people of the United States of America.

Mr. President, under date of May 23, 1950, I received a letter which was signed by Mr. Charles J. Haugh, who is the secretary of the Travelers Insurance Co., with offices in Hartford Conn. I take it that probably there is no American living anywhere in this great country who does not recognize the name of the Travelers Insurance Co. to be a byword throughout the land. The secretary of that company is a gentleman who, together with his colleagues, takes our money, turns over to us insurance policies in lieu of that money, and promptly proceeds to so invest and make secure our savings that when the policies come due we not only will receive the total number of dollars called for in the policies, but the dollars we receive will have a maximum of purchasing power contained within them.

The Travelers Insurance Co.'s official point of view, then, with reference to the pending bill—and their views ought to be of concern to most Americans—is as follows:

I am writing in reply to your letter of May 12 relative to the social-security bill (H. R. 6000) which is about to be considered by the Senate.

As you so clearly state, an effective revision of the Social Security Act designed to accomplish the objectives which are generally understood to be sought by such legislation can best be accomplished only after a thorough independent investigation by a commission comprised of individuals well versed in this field.

Unless and until a well-thought-out study is made, it is inevitable that the social security program will be subjected to perennial assault of well-meaning, but ill-advised individuals who seek to remedy defects (either real or imagined) by legislation which may create two problems where only one grew before, and by individuals who seek to use the social-security program as a means of injecting the Federal Government into any and every kind of business pursuit possible. In saying this, I do not in any way intend to cast aspersions on individuals merely because they propose to revise the social-security laws of the country. I merely want to stress the fact that the problem is an extremely technical one and, as such, offers opportunity to seriously involve an already complicated situation and also offers a medium for adroit individuals to seek in an indirect way to accomplish an objective which, if clearly made known, would be rejected vigorously by the Congress. It is only sound logic to seek the advice of technicians before reaching a conclusion.

Parenthetically, I would suggest that with reference to the present we are not inclined, as a Senate, to seek the advice of technicians before reaching a conclusion. We are determined to reach a conclusion on Tuesday next. It is simply the hope of the Senator from Washington, and now of Mr. Hall, of the Travelers Insurance Co., and a goodly number of other Americans, that in the near future, after we have taken action on and approved H. R. 6000, we shall seek advice from the best qualified technicians of the United States, and ask them, "What have we so recently done without first seeking your advice and your counsel?"

Mr. KERR. Mr. President——

The PRESIDING OFFICER (Mr. STENNIS in the chair). Does the Senator from Washington yield to the Senator from Oklahoma?

Mr. CAIN. I am pleased to yield.

Mr. KERR. Is it not entirely possible that H. R. 6000 represents the result not only of research by experts and technicians, referred to by the distinguished Senator from Washington, but also of the best thinking of the members of the Committee on Finance? And is it not possible that it might represent a great improvement over the present social-security law, and be far better than what we now have, and yet still not be the ultimate we hope eventually to have?

Mr. CAIN. The Senator from Oklahoma has posed a reasonable question, for which I think there is a reasonable answer. I have been advised, and I think correctly, that no study has yet been made by either the Senate Finance Committee, or by the technicians employed by that committee, of social-security systems other than the one which has been in force in this country since 1935. The junior Senator from Washington hopes and expects that some or perhaps all the amendments offered by the Senate Committee on Finance to H. R. 6000 are designed to improve a particular system. What the Senator from Washington has been suggesting is that in his view anyway, it would have been better to examine other systems before seriously endeavoring to patch up a system which the proponents of H. R. 6000 have told us in the Senate must eventually, and they hope soon, be replaced by a different system.

Mr. KERR. Has the Senator seen the document of blue paper which has been placed on the desk of each Senator since the beginning of the debate?

Mr. CAIN. I have not personally seen it.

Mr. KERR. Mr. President, would the Senator be surprised to know that that document contains a tabulation, first, of the provisions of the present law with reference to our social-security system; second, a tabulation showing the difference between the present law with reference to each item of H. R. 6000, as passed by the House, and, third, the difference between the present law and H. R. 6000, as reported by the Senate Committee on Finance with reference to each one of the main provisions? Furthermore, is not the Senator from Washington aware that the Senate Finance Committee had the bill before it for some 3 months of hearing, and had the benefit of the recommendations of its own advisory council, which had worked on the matter for some 2 years or longer with reference to each one of those points?

Mr. CAIN. The Senator from Washington is aware in general of what the Senator from Oklahoma has just said. The Senator from Washington merely returns to the premise that no examination of any other possible system has been made or deeply studied or reflected upon, so far as the Senator from Washington knows, by the advisory council, by the Senate Finance Committee, by the staff of that committee, or by any technicians employed by it, because the Senate Finance Committee conceived that it was confronted with a very practical matter—the need for improving, insofar as it was possible for them to do, the existing system.

Mr. KERR. Then the Senator would really be surprised to know that the advisory council studied all known social-security laws, and that testimony with reference to many of them was brought to the Senate Committee on Finance. If the Senator would read the documents to which he referred yesterday, as I recall, in terms of their weight, embracing the two volumes I hold in my hand, the facts I have stated would be apparent to him.

Mr. CAIN. The junior Senator from Washington expects pretty soon to be able to refer to the same 11 or 12 pounds of hearings and reports on the basis of his having read them, sir, from beginning to end. That task has just been undertaken and is by no means completed,

and certainly will not be completed by Tuesday of next week.

Mr. KERR. Then, the Senator is doing what he thought maybe the Finance Committee did when he said they recommended a bill and then decided to study the matter, in that the Senator from Washington is advising against the bill and after having done so expects to read the hearings with reference to it?

Mr. CAIN. No, I think that is not so.

Mr. KERR. Maybe I misunderstood the Senator.

Mr. CAIN. I think in part the Senator has. No. 1. I have not read all the hearings, though I have read a good part of them. Particularly have I read the testimony offered by those who dissent from the provisions of H. R. 6000. When the junior Senator from Washington says he considers that the advisory committee has not given thoughtful, thorough attention to the merits of other social-security systems, he thinks he is on very sound ground. There is a difference between an advisory committee giving, if not lip service, at least casual service to a study of other systems and giving the other systems a comprehensive going over.

Mr. KERR. Mr. President, will the Senator yield for one further question?

Mr. CAIN. I am pleased to yield, sir.

Mr. KERR. In our search for perfection, would the Senator think that we should use the exclusive method of waiting until it had been fully achieved before making any change, or would he countenance the possibility of merit in approaching it gradually and by stages?

Mr. CAIN. The Senator from Washington would think that every question of that character would have to be considered on its individual merits. He takes the position, from which a majority of the Members of the Senate are going to dissent that a new approach to our social-security problems in this country could be recommended and established in about a 2-year period. He does not see an impelling need for liberalizing and expanding a system which its chief proponents and defenders on the floor of the Senate tell us they think must be replaced by another system.

Mr. KERR. I should like to give the Senator the information that the advisory council of the Senate Finance Committee, which, by the way, I believe was created during the time we had what was known as the Republican Eightieth Congress——

Mr. CAIN. Yes.

Mr. KERR. And the Republicans had a majority of members on the committee.

Mr. CAIN. The chairman then, the distinguished junior Senator from Colorado [Mr. MILLIKIN] and his fellows, began the undertaking of a very serious study. But I take it that the Senator from Colorado, together with the Senator from Georgia [Mr. GEORGE], the present able and distinguished chairman of the Senate Finance Committee, will not maintain on this floor, as in fact they said otherwise the other day on this floor, that those studies undertaken during the Eightieth Congress have by any means been completed.

Mr. KERR. No; the position is not taken that they have been completed, but neither is there a feeling on the part of the committee at this time that the studies were entirely without effect, or that no progress whatever was made, but that on the contrary, much progress was made, and based upon the studies and recommendations, further progress was made by the Finance Committee in its very extended study and hearings on the bill this year.

Mr. CAIN. The Senator from Washington has not maintained that some progress has not been achieved.

Mr. KERR. Then, if it has been achieved, does not the Senator think that the Congress might be wise to take advantage of that which has been done and implement it by this proposed legislation, and yet look forward to a further continuance of the study in the hope that still greater progress may be made?

Mr. CAIN. At this time the junior Senator from Washington would by no means agree. The Senator from Washington and the Senator from Oklahoma and other Senators know the approximate number of persons now paying in to the social security system. We know approximately the number of Americans who are benefiting from that system. We know that for a very limited period of time we are going to be able to take in money much more rapidly than we are required to pay it out. We are presently suggesting a liberalization of the benefits to go to the beneficiaries of this system at this time purely, it seems to me, because we are financially in a position so to do.

I think it was about 2 or 3 days ago that other Senators on this floor, in answer to a question relating to financial matters, said that in their view the reserve fund would not be in jeopardy or in possible trouble for the next 4 or 5 years. Beyond that they would not venture a guess, because 4 or 5 years from now it stands to reason that many, many additional persons will be drawing benefits from the system.

Mr. KERR. The Senator is aware of the fact, is he not, that the committee took into consideration not only the fact that the fund had certain amounts of reserves, but that the compelling reason for the liberalization of the provisions of the law was not on the basis of the amount of money in the reserves, but on the basis of the need and the equitable considerations with reference to those participating in the program?

Mr. CAIN. The Senator from Oklahoma is scratching a fundamental at the moment. I think we are all in agreement that we are only willing to double, on the average, the benefits to go to the aged who are members of the social security system, because in the past 15 years we have cut the value of the American dollar just about in two. Because we have a system today which takes in much more than it has to give out, in the immediate future we are in a much better position to move much more rapidly in liberalizing the benefits, without giving too much consideration as to what our financial involvement is to be possibly 4 or 5 or 10 or 15 or 20 years from now.

Mr. KERR. Then the Senator recognizes, does he not, that there is some considerable merit to moving, to the extent that we feel we can do so, to meet that increased need of those who now are benefitting or participating in the program?

Mr. CAIN. I feel that my Government, of which I and the Senator from Oklahoma, the Senator from Colorado, and all other Americans are a very proud part, has recognized an obligation to the aged of America. In resisting in what I think is a reasonable way the enactment of House bill 6000, I do so because I hope that before very long there will be an admission by everyone of what is simply a fact, and that we shall establish in this country a social-security system which will offer—offer, by the way, because many persons ought to turn it down—to every aged American what is offered to other aged Americans, whereas our present social-security system, if continued in this country for a thousand years, would, in my opinion, never achieve that objective.

Mr. KERR. Then the Senator will admit, will he not, that the bill now being considered is a great improvement over the present law?

Mr. CAIN. I think I have not maintained otherwise. What I have maintained is that whatever may be the merits of the suggested new law—and there are considerable merits to it, upon some of which the distinguished Senator from Oklahoma has just commented—it still remains a fact, and a very distressing one, that we are extending and broadening a system which we recognize possesses faults of such a nature that in time—and I merely stress the rapid passage of time—it must be replaced with an entirely different system.

I am not unmindful of the fact that Members on both sides of the aisle of the United States Senate have been saying, in the course of this debate, "We are going to adopt a resolution authorizing a study." I am so hopeful of the results of that study that I have done my best to provide in the RECORD certain arguments which that study group will want to examine, along with arguments offered before it by, I hope, thousands of groups and interested persons in the land.

Mr. KERR. I thank the Senator very much.

Mr. CAIN. I thank the Senator from Oklahoma most sincerely.

Mr. President, I should like to read now the last several paragraphs of the letter written to me by the secretary of the Travelers Insurance Co. Its author, Mr. Haugh, concludes by saying the following:

> When it comes to suggesting individuals who might be considered to serve on a commission to make a study of this nature, I am naturally inclined to lean to the type of individual whose training and experience is such as to afford him a good knowledge of the economic and administrative problems which are involved. It is for this reason that I suggest consultation with the Casu-

alty Actuarial Society and with the Society of Actuaries. They can be reached as follows: Mr. Harmon T. Barber, president, Casualty Actuarial Society, care of the Travelers Insurance Co., 700 Main Street, Hartford, Conn.; Mr. Edmund L. McConney, president, Society of Actuaries, care of Bankers Life Co., Des Moines, Iowa.

I shall not suggest specific individuals within these organizations as I would prefer to leave that to the organizations themselves. Neither do I suggest that any such commission be comprised entirely of actuaries.

I sincerely trust that you will be successful in your effort to have this matter thoroughly studied by a competent commission so that any modification of the Social Security Act which may be adopted will be adopted in the light of full consideration of all facts and with full knowledge of the effects of such legislation, both immediate and ultimate.

Very truly yours,

CHAS. J. HAUGH,
Secretary.

I would simply say to Mr. Haugh that I am not speaking only for myself, Mr. President, but I believe I am speaking for a good many persons of like mind. Those to whom I have referred and I, likewise, will continue to be anxious and hopeful that any study group established and authorized by the Congress will undertake a serious analysis of the social-security needs of the aged population of the United States, in order that in the years soon to come we shall have replaced the present system, with all its faults and all its inequities, with a system which will provide as much justice to one aged American as it provides to any other such person.

Mr. President, if House bill 6000 is passed, it seems to me that it will only result in paying old-age and survivors benefits to 2,700,000 persons during the coming year; but as the coverage expands and as the number of insured reach retirement age and claim benefits, then the threat of trouble will begin.

Mr. President, let me say parenthetically that we are not in trouble at this time with reference to our American social-security system, but I think we are headed for trouble, and, in my opinion, it is quite proper to run up a flag of warning in this year of 1950.

The step-rate tax rises come at intervals beginning in 1956, 6 years from now. Then the race starts between the social-security tax income and the benefit outgo. If the benefit outgo exceeds the tax income, and if the trust fund is absorbed, and there is a very good likelihood that that will occur, then there will be nothing but brass knuckles and a club in the shape of increased taxes to keep the system from bankruptcy.

Mr. President, I quote now from page 33 of the report:

> Estimates of the future costs of the old-age and survivors insurance program are affected by many factors that are hard to determine.

That statement is the truth, if the truth ever was spoken.

The report further says, on page 34, that there has been recommended—

> A tax schedule which * * * will make the system self-supporting as nearly as can be foreseen under present circumstances.

How is this masterpiece of self-support demonstrated? It is demonstrated by a series of actuarial tables, presumably prepared under the eagle eye of Robert Myers, the chief actuary of the Social Security Administration. Mr. President, every once in a while a person is entitled to make a guess as to the author of a particular work, and I have made mine. If we look closely at these tables, however, we shall find escape hatches scattered along the way. In reading further from the report, on page 37 we find this statement:

> The range of error in the estimates may be fully as great for contributions as it is for benefits.

Certainly that is a very reassuring statement.

Furthermore, Mr. President, we find the following on page 33 of the report:

> Because of numerous factors such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement insurance program, benefit payments may be expected to increase continuously for at least the next 50 years.

Of that there can be no doubt. We know for a fact that the number of old persons in the country is increasing. We also know that the greater the number who are taken into the system, the greater the number—always assuming that no trick conditions to throw old persons out of the system will be invented—who will claim benefits.

Mr. President, on what basis have the estimates been prepared? They are prepared by making a whole series of calculations, and those calculations, required to be made in the absence of certain obtainable facts, are based on a variety of factors—continued high employment being one of them. As one of the escape hatches, table 19, based on unfavorable economic assumptions, is inserted on page 50 of the report.

Then there are figured out low-cost estimates and high-cost estimates and out of these two we get a blend called intermediate-cost estimates. Says the report, at page 43:

> It should be recognized that these intermediate-cost estimates do not represent the most probable estimates, since it is impossible to develop any such figures. Rather, they have been set down as a convenient and readily available single set of figures to use for comparative purposes. Also, a single intermediate figure is necessary in the development of a tax schedule which will make the system self-supporting.

If that set of sentences says anything, it says that intermediate cost estimates are not the most probable ones, since any such probable figures are impossible to develop; yet, for all that, the intermediate figures are essential to figure out taxes that will make the system self-supporting. That is as clear as crystal, is it not?

What all this fancy figure work comes down to is this: The Social Security actuaries do not know. They will not admit it in so many words—and I can understand that—but the fact remains, they do not know.

We do know that the number of old people in the country is increasing. We likewise know that if H. R. 6000 passes, coverage will be expanded and the number of oncoming benefit claimants must inexorably expand.

But whether the social-security-tax income will be sufficient to pay these benefits Mr. Altmeyer does not know, and his actuaries do not know, and nobody on earth knows. That is why this question excites the curiosity and interest of many of us.

So we are going to proceed arbitrarily to increase benefits out of current income, knowing, and having a reason to know, that the day must come when the brass-knuck taxes must be socked to the young boys and girls in their first jobs, who right now are being told, and encouraged to think, that they are paying for some kind of annuity.

There was a man, not so many years ago, who briefly succeeded with a variation of this scheme. His name was Charles Ponzi, and he eventually landed in jail. What the prospects are for our Social Security officials getting into deep trouble in the future is unknown at the moment.

What I have suggested is that if we look for some solid basis for cost estimates we do not find facts sufficient to give us reassurance about the future.

What I have said is that if we look for some solid basis for cost estimates we do not find any.

Remember that I have suggested that this is a Siamese-twin system and that, so far as the taxpayer is concerned, they must be considered together.

Look, for example, at some of the things the report tells us about the year 1970, only 20 years hence.

Table No. 7, found on page 35, tells us that in 1970 the number of men and women 65 and over in the United States will be anywhere from 15,900,000 to 18,500,000. A wide range of estimate, I would say.

Then table 9, found on page 38, gives us the estimated number of old people in 1970 drawing benefits—that is, the number of primary beneficiaries and the widows and the parents.

The range of such old beneficiaries runs, according to these calculations, from a little over 6,000,000 to a little over 9,000,000.

In other words, Mr. Altmeyer's lowest estimate of the number 65 and over in 1970 is 15,900,000 persons, almost 16,000,000 human beings. I refer to table 7, on page 35.

On the other hand, his highest estimate of OASI aged beneficiaries is a little over 9,000,000—to be exact, 9,117,000—table 9, page 38. However, it is sliced, 20 years hence, according to Altmeyer calculations, there will still be, at the very least, more than 6,000,000 persons 65 and over not drawing benefits from the social-security system.

Yet we are told in the face of these tables—whatever they may be worth—that the costs of old-age assistance may be expected to decrease.

To finish piecing out this jigsaw puzzle let us turn to the sacred wage record system.

Everyone who works in a covered cate-:ory, however briefly, and who has paid ocial-security taxes has a wage record n Baltimore, Md.

Mr. Altmeyer told the Finance Committee last January—page 29, Senate iearings—that there are 80,000,000 individual wage records in the files. This ioes not mean at all that 80,000,000 persons are insured. Indeed, says Mr. Altmeyer, "at any one time we estimate that here are only about 35,000,000 workers ctually in insured employment." What t means is that 80,000,000 persons, over nd above current benefit-receiving old eople, have worked in covered employment at one time or another and established a wage record if only for a few nonths.

It has been said that to handle these 0,000,000 accounts a rental of more than , million dollars a year is paid to International Business Machines. Whether his is true or not I do not know, for Mr. Altmeyer does not seem to have been very xplicit on this point.

These 80,000,000 records are supposed o represent live accounts. Some of the ersons with records in Baltimore may e, and probably are, dead. But some nethod has been figured out to discard ead people, and the 80,000,000 are presumed to be alive, if not all of them icking.

The Senator from Maine [Mr. BREWSTER] last January—page 30, Senate earings—said to Mr. Altmeyer that the mount of money which the Federal Government had received from these persons, now uncovered or perhaps dead—and I quote the Senator—"runs into many hundreds of millions of dollars." Said Mr. Altmeyer, "I think this is true."

But, said the Senator from Maine, "Do you intend to keep that up forever? Sometime you will have to make a check, will you not?"

Mr. Altmeyer's rejoinder to this was as follows—page 31, Senate hearings:

> What we have to do, of course, is to use the various avenues of public information. Some streetcar companies, for example, have given us free space for those cards you see inside of streetcars. We have not resorted to loudspeakers and that sort of thing. * * * We get out explanatory pamphlets. We send those pamphlets to groups that we think would be particularly interested, like labor organizations and employers, and we have a very definite program of local contact by our local managers. We try in every way to tell people what their potential rights are, but we do not have any way of maintaining individual contact with each one of these 80,000,000.

I am told that it requires more than 6,000 persons to look after these records. I should think it would.

Pamphlets we have, though no loud speakers, and an amount paid in through these slumbering accounts of sums running perhaps to hundred of millions of dollars.

Did I say that this system was a Rube Goldberg invention? Goldberg, in his most extreme flight of fancy, never dreamed up anything to equal what the Social Security Administration has done.

On these wage records, supposedly, are based the various sums that beneficiaries are paid. But when these formulas have to be arbitrarily changed and benefits shifted in order to get the right answers, what is the value of all these records?

The truth is that the longer one looks at it the more it becomes apparent that aged human beings are not the concern of the system at all. What Mr. Altmeyer and his functionaries are concerned about primarily are categories and machinery. They have fixed up a giant's cat's cradle which only they can understand, and it is the cat's cradle that they want to enlarge, expand, and entrench.

They hang on like grim death to their preposterous wage records and at this minute they have a bill over in the Public Works Committee of the House—H. R. 7873 is the bill—asking for $11,500,000 with which to buy land here in the District and construct a building to put those records in.

You will hear people say, Mr. President, that one reason why it is impossible to change this system is that these 80,000,000 persons, living and dead, have paid taxes and hence have acquired a vested right in the present system.

Look a little closer at this so-called vested right, for it is something. Carefully examined, we find it a half-true, half-false, proposition.

It is perfectly true that those 80,000,000 persons have paid taxes for a longer or shorter time, but what is the character of the vested right?

An actuary, after careful scrutiny of H. R. 6000, gives me this picture about the real source of benefits that thousands will receive:

> Consider two men who earn $100 a month and $250 a month, respectively, from 1937 to 1955, each retiring in 1956 at age 68—which is a typical retirement age. Under H. R. 6000 the first man will receive a primary benefit of $50 a month; the second man, one of $72. A very conservative actuarial valuation of their future primary benefits, taking account of some probability of each having a wife or widow qualifying for benefits, would show the first man to get total benefits worth $7,500; the second worth $10,800. The first man has paid in $264 in employee contributions; the second, $660. Interest on these amounts is ignored, as the value of the survivorship insurance received by each is more than the interest. In tabular form the figures and their relationship are as follows:

Average monthly wage	Employee contributions paid	Value of benefits to be received	Rate of contributions to benefits	Excess of value of benefits over contributions
			Percent	
$100	$264	$7,500	3.5	$7,236
$250	660	10,800	6.1	10,140

NOTE.—It may be noted that the $250 man has paid a higher proportion of the value of his benefits than the $100 man. But neither has paid a significant proportion anyhow, and each one therefore gets a substantial profit from the system. This profit is derived partly from employer contributions—which are charges on the general public in the shape of higher prices—but largely are from contributions by and on behalf of younger employees.

In other words, Mr. President, the so-called vested rights of many of these people are for benefits that will have to be sweated out of the hides of the younger men and women whose own benefits, in the future, look more than dubious.

All this vested right really amounts to is the fact that 80,000,000 persons, living and dead, have paid social security taxes in varying amounts.

Why make this fact the excuse for getting deeper and deeper in with an unjust, capricious, inflationary, and hopelessly complicated system?

Why not, rather, face the task, if we must, of paying back what those people have paid in, or of squaring the deal in what seems the most reasonable way, and then making a truly fresh start where age is the only qualification and all receive the same sum, raised and paid for year by year, as it must be raised and paid for by those of us who are still at work.

Mr. President, the contention is also made that the Old Age and Survivors Insurance Fund and the payroll tax supporting it, will finally be made universal, with a minimum payment to all persons, augmented by their wage credits acquired as at present. All this is supposed to happen simply by steadily expanding coverage.

I see no prospect of success here, Mr. President. I see only the same old delusions. Some people call what we have now a pay-as-you-go system simply because for the moment the tax income is greater than the benefit out-go.

I notice with tremendous compliment to those involved that in recent days neither the senior Senator from Georgia, the chairman of the Finance Committee [Mr. GEORGE], nor the junior Senator from Colorado [Mr. MILLIKIN], the ranking minority member of that committee, have made any such contention that we are presently paying as we go in connection with our social security system.

Expand coverage however you will under the present system, but the day of reckoning must come. What right have we to dump this fearful problem on our children and grandchildren, simply because we have not the moral fortitude and energetic imagination to face the truth today?

Mr. President, if this has seemed a lengthy statement I can assure the Senate that in attempting constructively to describe the almost fathomless intricacies of our present siamese-twin system of so-called social security, I have barely scratched the surface.

If we pass House bill 6000, we make even more complicated that which is already complex beyond endurance. It is necessary and healthy for us to admit and know what we do.

As I have said before, we simply make worse a situation where millions of the present aged get no consideration and where millions of future aged have no assurance, whether they pay social-security taxes or not, that they will ever get any benefit.

Mr. President, just a short time ago, on May 24, I introduced Senate Concurrent Resolution 92 calling for the appointment of a commission of completely independent experts to undertake, full time, divorced from all influence of the Social Security Administration, a complete investigation of the present social security system and an investigation of other possible systems.

I earnestly appeal for support of this resolution.

In the statement which I made when I introduced the resolution, I said:

Why pass a bill that we know is bad, despite the best efforts of the Finance Committee, when with the expenditure of a little more time we might have legislation that is good?

I can only repeat what I said then and urge that the most serious consideration be given to what I have proposed.

Let us not try to mortgage the future of our children. Let us halt where we are now and try to discover what is best to do. Let us do nothing further to entrench what is fundamentally a cheat, a dishonest system, that does not deserve the name of social security at all.

Mr. President, if Senate Concurrent Resolution 92 is not to be approved by the Senate, then the junior Senator from Washington will place his faith and hope in the results to be achieved from the adoption of the resolution offered this afternoon by the junior Senator from Colorado [Mr. MILLIKIN] for himself and the senior Senator from Georgia [Mr. GEORGE]. I know that if their joint wishes come true, our present social-security system will soon be replaced by a system which offers to one aged American what is offered to every other aged American. These two distinguished Senators have publicly agreed that there is no long-range cure for the fundamental weaknesses to be found in the pending bill which seeks to patch up a social-security system, 1935 model, which is neither now, nor can it be in the future, a reasonable or workable answer to the needs of the aged persons of America. The junior Senator from Washington will appreciate an opportunity to work with the Senators mentioned and other Senators in looking for and establishing the right answer for the needs of the aged who live now and who will live in the future in our great country.

Mr. President, it will take but a very few minutes to summarize my position concerning the pending bill.

Mr. President, when I made my statement on May 24 last, in introducing Concurrent Resolution 92, providing for an investigation of the social-security system, I offered a letter which I had written to several hundred persons throughout the country, persons who in one way or another had had direct experience with social-security problems and had given a great deal of time and thought to them.

The letter which I wrote was as follows:

As you know the social-security bill (H. R. 6000) which passed the House last October, is now before the Senate Finance Committee and shortly will be reported out for Senate action. This bill represents the first major revision made in our social-security legislation since 1939 and is no unimportant piece of legislation. Although we do not yet have the completed Senate bill three committee releases have specified what the bill will contain in respect to old-age assistance and expanded old-age and survivors insurance coverage and benefits.

After considerable thought, I have come to the conclusion that I cannot vote for a bill containing these provisions. Instead, I am urging that the social-security establishment be left as it is, pending a thorough and completely independent investigation and overhauling. This overhauling, it seems to me, should be undertaken by a commission, and carried out along the line specified by former President Hoover in his letter on social-security revision to Chairman Doughton of the House Ways and Means Committee a year ago.

I have become increasingly skeptical about the present deferred-benefit system which excludes—and must continue to exclude—so many of today's aged from our so-called social insurance and gives large benefits to some who qualify after making only token contributions. Back in 1935 when the Social Security Act was first passed, it was assumed that the insurance system with reasonable promptness would cover the old people and that old-age assistance (means test relief supported by Federal subsidies) would soon pass out. The reverse has happened. The groups covered by insurance have slowly expanded; relief for destitute old people has zoomed ahead. What this amounts to is that social-security legislation has pushed many of the States, including my own, into trying to handle these problems through jerry-built relief plans, often practically unsupervised and depending, of course, on Federal subsidy.

Patching up unworkable social-security programs—as H. R. 6000 attempts to do and as any bill of the type will do—is bound to create more maladjustments than it cures. We badly need a fundamental technical study that can lead to a constructive redesign of our social-security system.

My own feeling is that an honest pay-as-you-go system with age the only qualification necessary is probably the answer. The benefit, I suppose, should be a certain number of dollars a month—small enough to indicate the normal expectation of other personal provision and large enough to be of some significance in the income of the recipient. I set neither age nor figures; the Commission's work would have to give us the answer or the basis for an answer. I would suppose that the benefits would be financed by an earmarked tax, from the lowest earnings up to some such maximum as the $3,000 now used in the limited, discriminatory tax now in current use. This simply means that the producing workers of the Nation are paying a tax to aid in the support of the old and by the earmarked tax each knows and is conscious of what he is paying. In no way should such a benefit be regarded as taking the place of personal thrift, nor does it take the place of local charity and relief. The system ought to be designed to get the Federal Government out of the business of subsidizing relief in the States.

I am asking you, as a person whose professional interests have included social-security problems, to let me have your views on this question. I ask that you write me with all frankness about the objectives, the personnel, and the method of study that might be pursued by such a Commission as I have described above. There must be men of standing—independent, competent, and informed in this area—who could help in this task. We ought rightly to expect that such men would represent a truly American approach to these problems—an approach which so far has been sedulously avoided by the official advisory councils.

I am persuaded that this is a matter of vital importance to the preservation of our system of free enterprise and the noncollectivist way of life.

Since the bill will be before the Senate any day now, I appeal to you for a prompt consideration of this letter.

To show the deep feeling which this social-security question has aroused—and I think it is a very healthy feeling indeed—I shall now refer to and ask permission to insert some of the replies in the RECORD.

If these letters which the junior Senator from Washington has received from competent Americans from every section of the United States do nothing else I think they will help to convince the Senate that the insurance people, among others—and to the insurance people generally I may say again American everywhere in all confidence turn over their savings to be properly invested—are anything but unanimous in their support of our social-security system.

The junior Senator from Washington wishes, and in fact is privileged, to bring the views of such students of the question to the attention of every Senator on both sides of the aisle who now or in the future may become interested in this question.

Mr. President, I should like unanimous consent that a letter from Mr. Elgin Fassel, the actuary of the Northwestern Mutual Life Insurance Co. of Milwaukee be made a part of my remarks at this point.

There being no objection, the letter was ordered to be printed in the RECORD as follows:

THE NORTHWESTERN MUTUAL LIFE INSURANCE CO.,
Milwaukee, Wis., May 19, 1950.

Hon. HARRY P. CAIN,
United States Senator,
Washington, D. C.

MY DEAR MR. CAIN: I have pleasure in acknowledging your letter of May 11, addressed to me personally and asking my views as to social security. You state the you do not expect to vote for H. R. 6000 and instead are urging no change in social security at this time, and that there be an investigation and overhauling undertaken by a commission along lines suggested by former President Hoover. Also you favor the pay-as-you-go system.

I have long felt that the accumulation plan is a mistake in the social-security system and that it ought to be on the pay-as-you-go method.

The concept that each generation ought to accumulate vast national funds with which to look after its own old age is a delusion because such funds become political targets and are likely to fail of their purpose. In giving such assistance as may be desired to the aged and infirm, it is proper for the State to operate on the pay-as-you-go plan because it has the taxing power. This is quite a different situation from that of individuals providing for old age out of their own resources, which of course can only be done by saving in an accumulation plan.

If I had a vote it also would be against H. R. 6000, and I agree with you that a study and overhauling of the existing law would be advisable. If it is your idea that actuaries would be of assistance on the proposed commission, I would refer you for suggestions to Mr. E. M. McConney, president, Society of Actuaries. The headquarters of the society are at 208 South LaSalle Street, Chicago Ill., but Mr. McConney also is president of the Bankers Life Co., Des Moines 7, Iowa and would ordinarily be reached at the latter address.

A number of actuaries have been actively associated with the social-security development. Mr. M. A. Linton, president, Provident Mutual Life Insurance Co., Philadelphia 39, Pa., has been in close association from the start. Mr. R. A. Hohaus, actuary, Metropolitan Life Insurance Co., New York 10, N. Y. has been in close contact for many years

fr. W. Rulon Williamson, 3400 Fairhill Drive, Vashington 20, D. C., has also had a good deal f contact and in the past has been actuarial onsultant of the Social Security Board:

It will of course be understood that the xpressions herein are my personal views nly.

Yours truly,

ELGIN G. FASSEL.

Mr. CAIN. Mr. President, I may say hat a number of the replies which I ıave received urged that I consult Mr. .inton, Mr. Williamson, and Mr. Hohaus. have done so. No reply has yet come o me from Mr. Hohaus, but I have leters both from Mr. Williamson and Mr. .inton. They are more than interestng; they are in complete contradiction. I am going to read them.

Mr. Linton is president of the Provient Mutual Life Insurance Co. of Philahia. He was an actuarial consultant o the Economic Advisory Committee ack in 1934 and 1935. He was also a nember of the advisory counsel set up by he Senate Finance Committee during he Eighteenth Congress as a result of the assage of Senate Resolution 141.

Mr. Williamson was for 20 years an ctuary with the Travelers Insurance o. of Hartford and, thereafter, from 936 until his resignation in 1947, was ctuarial consultant first to the Social ecurity Board and then the Social Seurity Administration. He is presently n actuarial consultant in private practice here in Washington.

Mr. President, in order not further to onsume the time of the Senate I ask unanimous consent that the letters received by the junior Senator from Washington from Mr. Linton and from Mr. Williamson be made a part of my remarks at this point.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

PROVIDENT MUTUAL LIFE INSURANCE CO. OF PHILADELPHIA,
Philadelphia, Pa., May 5, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Committee on Public Works,
Washington, D. C.

DEAR SENATOR CAIN: Thank you for your letter of May 31 about H. R. 6000. I am strongly in favor of enacting the bill as reported by the Senate Finance Committee. Then, next year study can be made of extending it to cover the present retired aged. If that extension could be made we could then have a program which would provide benefits reasonably related to the workers' economic status prior to retirement, and supported by the kind of tax which has been accepted by the country, and which would continue to be accepted, I believe, because the relationship between the taxes and the level benefits would be so close.

Sincerely yours,

M. A. LINTON.

WASHINGTON, D. C., *May 27, 1950.*

Senator HARRY P. CAIN,
Senator from Washington,
Senate Office Building,
Washington, D. C.

COMMISSION OF EXPERTS ON SOCIAL SECURITY

DEAR SENATOR CAIN: I find myself very largely in agreement with the position you take in your letter of May 24 and I should like to deal with certain aspects in this reply. There has been an increasing recognition of the "wrong start" represented by the deferred benefit system. Among the objectives, then, of a Commission of competent informed thinkers, the most important at the outset seems to me a study of the objectives proper in the United States of America in a national program of shared provision of some portion of the very personal responsibilities represented in programs of social security.

I am giving a paper before the Health and Accident Underwriters Conference in New York City on Monday, June 5, and in dealing with the subject I outline rather dogmatically certain conclusions I have reached. I am enclosing a copy of that discussion. The Commission should seriously analyze purposes, philosophy, program, and performance for the United States of America. The prime question is: "What are we trying to do, and what should we try to do?" The Commission should start with the American uniqueness—the economic conditions and environment of freedom. Since the report of the original Committee on Economic Security of 1934 and 1935, the Advisory Councils of 1937–38 and 1948, there has been a steady and an obvious avoidance of facing any full consideration of the subject. There has been rather every effort to avoid opening up the consideration of a full program for all the citizens—at least it seems that way to an unprejudiced observer.

This study requires persons with a comprehension of demography, actuarial science as handled in private insurance—the better to avoid the deferments and the individual equities of such protection—the law, business economics and finance, business, and public research. Congressman CURTIS says that competent men should be engaged who can put consecutive time for many months on canvassing the situation, and setting down the results of their studies. They should be free of the domination from the Social Security Administration or political expediency. Such men exist, and they should be found. They must be mature, competent, honest, patriotic. As my paper for June 5 sets forth, I believe the insurance designation a misleading one, and I suggest calling the proper program social budgeting to bring in the sense of financial responsibility in budgeting, and to sidetrack the oppressive bargains for all appeal in the current OASI program.

I shall perhaps add a second letter later, but in this one I want to discuss the problem of costs which is so much the province of the actuary. A paper of mine on cost factors appeared in a social-security bulletin while I was actuarial consultant for the Social Security Board—in 1938. In 1947 after I had left the Social Security Administration, there appeared Actuarial Study Number 21, written by Mr. L. O. Shudde, still with the Office of the Actuary—Social Security Administration—and by George Immerwahr, then with the Actuarial Section of the Analysis Division of the Bureau of Old Age and Survivors, now with the Monumental Life of Baltimore. The purpose of both reports was to make clear the wide range present in these cost factors and the essential unpredictability of costs over time in such a program as old-age and survivors insurance. This is so fundamental an item that in spite of careful disclaimers as to the prophetic power in the actuarial section of Senate Report No. 1669, just off the press, the avoidance of certain important items tends to create misapprehension. Thus while table 12 indicates low and high costs at the end of the century respectively of eight and one-half billion and thirteen and one-fifth billion, on the assumption of no wage advance, optimists talk of 4 percent a year and pessimists perhaps 1 percent or 2 percent a year. Most administration discussion assumes at least double the wages—and through another application—or maybe half a dozen—of today's new start, it would be more rational in the expanding planned economy to expect twenty-five billion or forty billion as the annual costs at the century's end.

The population of that time aged 65 and over—see table 7—could be 19,000,000, or it could be 29,000,000. The census has recently corrected upward the figure for 1950 to a higher point than that used in the projections, and another correction may well occur from the 1950 enumeration. Table 9 shows a low of 13,000,000 old-age beneficiaries and a high of 20,000,000—but with gerontological maintenance of work to advanced ages, and the threat of great extension of life at those high ages and earlier retirement, the range could be much wider. Ten million to thirty million might be logical. If we had only $600 a year at the lower end as benefits and $2,000 a year at higher assumption, there is a range of from $6,000,000,000 to $50,000,000,000 as the benefits range way out there. Dollar costs have no definiteness off there in the future, but last year the outlay of two-thirds of a billion is about 1 percent of that top figure in the future. Percentage costs hide a lot more vagaries, but nothing can hide the speculation which is possible. The level-premium costs have an apparent definiteness that does not bring out sufficiently the fact that there is no expectation of collecting such sums in advance, and earning the interest on them. They do not bring out the fact clearly enough that table 19 can occur many times before 2000, but that in the years when the benefits have piled up to tremendous proportions an outgo of 50 percent more than the income could really be serious. Such guides seem to me about like a New York street sign, floating on an errant flying Dutchman in the Sargasso Seas.

Through the 15 years since the act of 1935 went through, we have had pious warnings at each yearly interval that benefits were indeterminate and that it would be well to collect more money. But always as to the current time when we could know barely what current requirements might be, OASI has neglected them and has centered attention on the remote future when we could not know. It has seemed a strangely inverted concern, but we have been very sure that current outlay would not be large. This report, however, seems to open up a route of easy qualification, only six quarters of covered employment, with as little as $300 earnings from employment, or as little as $600 earnings from self-employment—and perhaps affecting six to eight million persons in the next 5 years. Whether we regard it as a racket or not, it has all the earmarks, but it brings down to the current situation the indeterminateness that affected the distant future heretofore. We might qualify only 1,000,000; we might qualify 6; we might have the minimum of $25 or even $20 a month for most, or we might have a minimum wage of 75 cents an hour—or at the rate of $125 a month—to give over $50 a month in benefits. So now we have indeterminate costs almost at once, as well as in the distant future.

We run into the values of the sociologists—the assessments made by American citizens of these devious folk ways so untried and so fundamentally unattractive to responsible citizens. How measure the persistence of integrity, the power of the dollar of benefits for a penny of contributions—or less?

Public assistance has been the leading source of benefits to the aged and the dependent children—three times the payments last year that were handled through OASI. This is a very interesting fact, that virtually no forecast is made for the major plan, while these serious studies have been developed for the minor one.

There are in fact four categories of the aged: 1, the recipients of OASI benefits; 2, the recipients of old-age assistance and aid to dependent children; 3, the recipients of both;

and 4, the recipients of neither. The third category is one of major importance hereafter, since the new bill calls attention to the convenience of collecting from both sources, by limiting the Federal grant to the States to $25 instead of $30 available for the recipients of two alone.

In short we have undependability both now and later under the recommendations of the Senate Finance Committee, and I have gone to this trouble to show how badly needed is the financial responsibility of men of the right type in this Commission. There is internal evidence that the actuary is trying to tell his story in this report, but that he has not been free to bring out the long-run hazards sufficiently. The type of "open-end" program was that of the assessment and fraternal insurances of the 1870's and 1880's, which have been so unsatisfactory over the years for the relatively small groups which they involved. Large numbers of life actuaries regard this OASI as inherently of the same danger, but the area of operation multiplied a hundredfold.

Financial irresponsibility seems to me to characterize this program, but if the benefits to the existent aged are now dangled before the eyes of these old people and the qualifications are as few as set forth in this report, I expect that current unhappiness can be more serious in the next few years than a long-delayed nemesis.

I have covered much of this, with extreme brevity, in some of my testimony before the Ways and Means Committee and the Senate Finance Committee. This should not be just a debate, a showing up of flaws, though the flaws should be examined. It should be the sort of analysis that the British used to call a "Royal Commission." It should get the outside opinion, so carefully avoided by the last advisory council, and it should integrate much available data both within the Federal Government and outside.

The magnitude of the present OASI and Public Assistance Benefits would permit adjustment now. The difficulty of adjustment would be many times harder, should H. R. 6000 be enacted first. Next to the value of the Commission is blocking H. R. 6000, with its contradictory principles, and its unpredictable costs.

I am tremendously impressed with the objectivity of your letter, and with the importance of your resolution. If I can be of any help to you, either as an actuary or as a citizen, please feel free to call upon me.

Yours sincerely,

W. RULON WILLIAMSON,
Actuary.

WASHINGTON, D. C., *May 28, 1950.*

Senator HARRY P. CAIN,
Senator from Washington,
Senate Office Building,
Washington, D. C.

SOCIAL SECURITY COMMISSION

DEAR SENATOR CAIN: I wrote you yesterday to bring out one fundamental point in connection with OASI—its unpredictability of costs, and the danger that this unpredictability will be glossed over by such expedients as level premium costs, the use of percentage of pay roll costs and the absence of any really critical examination of these matters.

Today I wish to discuss very briefly too, the unsuitability of the use of employment and unemployment as a basis for our Federal program of national sharing. It seems to me that the goal should be a program for all the citizens, so that for the aged we treat the two sexes equitably. In Report No. 1669, there is a little table on page 36, which shows that by 1970—20 years from now, only 66 to 75 percent of the persons aged 65 and over will be fully insured among the males, and only 13 to 19 percent among the females. That is—20 years from now the major part of the population will still not be provided for directly.

Today only 8 to 10 percent of the aged widows of 65 and over are drawing benefits from OASI. Since on the whole formal employment is uncommon for women from 40 onwards, the gearing of major dependence upon employment records is not the way to grant benefits to such persons. The substitute of using the employment of the husband and giving 50 percent of the husband's benefits, of 75 percent of the former husband's benefits, for wives and widows respectively is a method of discriminating against women.

Steadily the administrators of social security have been bringing evidence to show that relating benefits to past records of wages has been unsatisfactory—requiring a doubling of benefits—though not handled that simply—for the retired groups and the group to be retired later—and by implication correcting for the clumsiness whenever the shoe pinches later.

The system does not fit the presumptive needs of women, it does not fit the presumptive needs of men—as natural changes take place in the economy. It does not even insure the majority of our older people for 20 years.

We do not handle sufficient data to show what the assets and incomes presumably are for the existing older persons. We need such a comprehensive review as to the status of the American citizens today—quite different than it was in the sad days of the depression, and absolutely different than it was implied to be, when all married women were regarded as dependents—essentially penniless—without regard to the earnings or property of the spouse.

So a major objective of the Commission's work is factual analysis not yet really attempted.

Sincerely,

W. RULON WILLIAMSON.

Mr. CAIN. Having offered these two letters, both from persons who have had intimate contact with social-security affairs, I want to offer two others from persons who in different ways have seen at close range exactly how our present social-security system operates.

The first of these next letters is from Mr. Jay Iglauer, vice president and treasurer of Halle Bros. department store in Cleveland. Mr. Iglauer was a member of the special committee appointed in 1937–38 to study the Social Security Act. If I am not mistaken, the junior Senator from Illinois [Mr. DOUGLAS] was also a member of that committee, and I would draw Mr. Iglauer's letter to the attention of the junior Senator from Illinois.

The second of these letters is from George Imnerwahr, now a consulting actuary, of Baltimore, but formerly chief actuary of the Bureau of Old-Age and Survivors' Insurance in the Social Security Administration.

Again, Mr. President, in an effort to save time, and because I know the letters probably will be read by my colleagues, I ask unanimous consent that both of them be made a part of my remarks at this time.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

THE HALLE BROS. CO.,
Cleveland, Ohio, May 17, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I have seldom seen a position regarding the social-security problem which is so accurately in accord with my own views, as your letter of May 12.

H. R. 6000 is an illustration of the dangers inherent upon embarking on any long-term program such as social security without full realization of the ultimate consequences.

When Congress established the first social security law it created the impression that the employer and the employee jointly, with some small assistance from the Government were to create a fund, out of which would be paid the minimum subsistence requirement of the aged—not as a matter of charity, but as a matter of right. I hope you have followed carefully the testimony of W. R. Williamson, one of the original actuarial consultants to the Social Security Board, whose opinion I have learned to respect highly. He has come to the same conclusion as you—that the public assistance has now overshadowed the so-called insurance system of which you speak.

You may recall that I was a member of the committee appointed by joint action of the Senate and the Social Security Board to study the Social Security Act in 1937–38. Already at that time members of that committee were deeply concerned over the fact that the funds paid in by employees, and in which they had a moral vested right, were being paid into the Federal Treasury along with the employers' contributions, and that to the extent that they were not being currently used to pay benefits the remainder of the funds were being used by the Federal Government for every purpose. The answer of the political economists has been that to the extent that the Government has used these funds they did not have to borrow with bonds of the United States for other Government purposes and therefore the credit of the United States of America was thereby so much improved.

With the advent of World War II and the enormous public debt that was created as a consequence, it becomes clear that as and when the amount of benefits that were contemplated to be paid in 1960, 1970, and 1980 approached the maximum and then exceeded the collections, the Government would have to borrow or impose additional taxes to meet any underestimates or any liberalization of benefits.

The trouble with the whole program is that the accumulation of tax payments for social security in the earlier years of the system produces so-called "trust funds" so large that the temptation is constantly present to liberalize benefits and/or to increase coverage. I agree with you that a pay-as-you-go system, with minimum subsistence coverage for all, is the only answer. That, I believe, is in the main the thesis of Mr. Williamson's position too.

I am particularly glad that you have taken the position in favor of a well-organized Commission to study the whole social-security problem. Such a Commission should be composed of—

1. Representatives of the actuarial profession.
2. Representatives of the Government.
3. Representatives of business.
4. Representatives of labor.
5. Representatives of the general public.

Care should be taken that the Commission's personnel should be nonpartisan in character so far as it is possible, or at least balanced as to the principal political parties. Such a Commission might well be expected to take a full year or two to arrive at conclusions.

A word about my observations concerning the previous Social Security Commission on which I served—I was impressed with the high character, ability, and conscientious attitude of the majority of that special committee. If there was any unfavorable aspect to that committee, it was the absence from most of the committee conferences of the representatives of labor.

I believe that such a program as you envisage is the only way to approach the problem that bids fair to have such serious consequences to the whole economy. I believe also that such a proposal would meet with

support of every right-thinking organiza-
n concerned with these problems.
With your permission I am sending a copy
your letter to the chairman of the Social
urity Committee of the National Retail
Goods Association and the Social Secu-
Committee of the American Retail Fed-
tion, and I shall ask them to give support
your proposal.
shall await your reply with interest.
Sincerely yours,

JAY IGLAUER,
Vice President and Treasurer.

BALTIMORE, MD., *June 12, 1950.*
nator HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: Though there have
en some other national issues in which I
ve not been in accord with your views, I
ist say that I am most definitely in accord
th those expressed in your letter of May
1950, relating to the proposed social se-
:lty bill, H. R. 6000. I am convinced that
extend the defects of our present social
urity law as H. R. 6000 does would be most
fortunate, and that what is needed is a
orough, independent study which will go
:k to fundamentals and reconstruct our
:ial security system from scratch.
As you probably know, I served on the
uarial staff of the Bureau of Old-Age and
rvivors Insurance in the Social Security
ministration for 7 years, ultimately be-
ning the chief actuary for the Bureau.
ıen I began this work I was most enthusi-
:ic over the social security program as it
s then conceived. After some years in this
rk, however, I came to the recognition
ıt this program was not working out as
d been contemplated and that its defects
re so serious and so fundamental that it
ıuld not work out effectively without com-
ete revision, and this recognition was one
the factors that led me, late in 1946, to
ave the Social Security Administration and
ıter another Government agency. And
en more impelling factor was my realiza-
on that Social Security Commissioner Alt-
eyer and some of my other superiors, who
my opinion must have been as well aware
most of these basic defects as I was,
evertheless apparently lacked the intellec-
ıal honesty needed to come to an open ad-
ission of these defects and to seek their
imination, but instead chose to temporize
ith what they knew to be defective, to
ver up one mistake with another, to divert
ıe public's attention from the real defects
the social security program and instead to
ame the program's failure on factors of a
uch less pertinent nature. It seemed to
e, also, that there were various ulterior mo-
ves which I shall describe later. So long
this attitude and these motives prevailed
ıong the officials of the Social Security Ad-
inistration, it seemed useless for me to re-
ain there.

I will not give here a full story of what I
ınsider to be the defects of the social se-
urity program and the proposed patching-
legislation, nor shall I spell out my rec-
nmendations for correcting the program.
ecause I was an employee of the Bureau of
ıternal Revenue at the time of the House
ıd Senate hearings on social security, I
ıuld not testify personally at their hear-
ıgs. However, an address which I prepared
ır a local actuarial club was inserted in the
enate hearings by another club member and
ppears on pages 1979–1987 of the hearings,
ıd this address indicates my views. In
any respects they are quite similar to the
ews indicated in your letter. I oppose the
esent system and the proposed legislation
h the grounds that it excludes from benefits
ıe great majority of today's old people (and
ould still exclude them despite extension of
verage among people still working), that
ıe major cash costs of the system are de-
ferred to such an extent that the costs actually accruing are concealed beyond any possible public recognition, that no adequate financing method can be developed for such a system, that the benefit formula, under which benefit amounts are more or less proportionate to previous income, gives rise to a socially incorrect and wasteful distribution of the funds available for social security purposes, and that the basing of benefits on wage and payroll records is needlessly complex in its administration. Like yourself, I favor a system in which Federal benefits would be available to all in certain categories; for example, to all those above a specified age. Benefit amounts would in general be uniform, but they might be tapered down for beneficiaries above a certain income level; if so, such tapering down would be based on taxable income (as shown in the beneficiary's tax return) but not on a needs test. The Federal Government would no longer subsidize public assistance. Federal benefits would be financed out of an earmarked addition to Federal income tax.

WHAT EVERY SENATOR AND CONGRESSMAN SHOULD KNOW

What seems most important for me to pass on to you now is some vital but little-known information concerning the Social Security Administration, its motives in sponsoring legislation, and its tactics in furthering its aims. These must be appreciated if a proper course of action is to be taken.

First, there is a definite desire on the part of the Social Security Administration to convey to the public the idea that social-security benefits—that is, old-age and survivor pension benefits furnished through the social-security system—are far more inexpensive than the same benefits furnished in any other way. A deferred-benefit system, in which benefits are denied a large proportion of the old, the survivors and the disabled of the present but generous promises are made to those who will be old, survivors, or disabled in the future, plays right into the hands of this desire. Because the number of beneficiaries under such a system in its early years is a very small proportion—say one-eighth or one-tenth—of the ultimate number, such a system appears to be cheap even though a large actuarial cost is accruing, and it is easy to promise benefits at an ever-increasing level without the public realizing the cost to which it is ultimately committed. The proposed method of financing the benefits of H. R. 6000 by employer and employee contributions which rise from 1½ percent to 3¼ percent by a series of scheduled increases is entirely unrealistic. All experience to date indicates that the increases will not place as scheduled unless either future disbursements rise faster than predicted or benefit increases are promised with the contribution increases—and either of these conditions would render the scheduled increases insufficient to make the system self-supporting.

The contribution increases which had been scheduled for the existing benefit law did not take place as scheduled, so that today's contributions fall considerably short of indicating the true cost of the system. Social Security Commissioner Altmeyer will tell you that the blame is on Congress, that he favors an actuarially balanced system, but he knows that an actuarially balanced system is a political impossibility if scheduled contribution increases are to be relied upon. If he were really sincere about an actuarial balance for the system, he would insist on the full level premium rate being assessed from the start. But this would give the public pause about the cost of the system. Similarly, in a true pay-as-you-go system of the type both you and I advocate, the system's real costs would be immediately apparent, and this too is a situation the Social Security Commissioner could not tolerate.

Mr. Altmeyer will tell you that at various times during the war years he resisted the freezing of the employer and employee tax rates at 1 percent on the ground that this was well below the level actuarial cost of the existing program. Yet at the same time, he did nothing to discourage the hopes of labor groups who were supporting a tax increase in the belief that the increase would lead to higher benefits. In the Social Security Administration we played a double game; we told Congress that the tax rates were too low for the existing scale of benefits, yet we told covered workers that they were "paying for their benefits." We talked of the system as if it were contributory, yet the employee taxes represented such a small proportion of true cost that the system could not really be called contributory in any true sense. But the public deception went on and still goes on; in fact I recall one time when I was told by Commissioner Altmeyer's office to refer to the employee taxes not merely as contributions but instead as "premiums," to convey even more emphatically the erroneous idea that the worker pays the cost of his benefits.

Second, the Social Security Administration wishes that its system be looked to as the source of the major portion of income for retired persons and survivors and not merely the source of a subsistence benefit on which the worker or beneficiary can fall back if all else fails. If a man who has been earning $5,000 a year writes in to the Administration and complains that his $45-a-month benefit is far insufficient to maintain him after retirement in the manner to which he is accustomed, I think you and I would agree that the correct answer to the man would be that after earning $5,000 a year for some years, he should have laid aside for himself a substantial additional amount in the form of insurance and savings, perhaps in an owned home. We would tell him that because the cost of social insurance benefits is substantial, before his benefit was raised, our first effort should be to make sure that a benefit providing at least subsistence should be made available to his less fortunate fellow who had been earning only $1,200 or $1,500 a year and who, therefore, had probably been unable to lay aside for his old age. We would tell him that the differential between his employee taxes and those paid by the $1,200-a-year man paid for a differential in benefit of only $2 a month, whereas he was already getting a differential in benefit over the lower-paid man far above that figure, and that actually it was not the responsibility of the Government of the United States to give him a benefit much higher than that of the low-paid man merely because he enjoyed a higher standard of living already.

But the Social Security Administration officials would send him an altogether different answer. They would agree with him that his benefit is much too small, despite the fact he had already had an income well above that of the average-paid worker and should have been able to make considerable provision for himself. They would stress the fact that they had repeatedly urged Congress to liberalize benefits like his. It is of interest to note that in the social-security bill which it advocated, H. R. 2893, the monthly benefit of a man who has earned $4,800 or more a year since 1937 would have been increased by about $50, while that of the man who has earned $50 a month would have been increased by less than $6, despite the fact that it is the latter man whose benefit under the present law is so pitifully small and for whom a benefit increase is so desperately needed.

Third, the Social Security Administration stresses the payroll tax method of financing social security even though it knows that this method is unsatisfactory in theory and in practice and can never be extended to cover

100 percent of gainful work in this country. This method, which involves employee taxes withheld by employers and matched by employer taxes, seems to work out conveniently for the presently covered employment groups, though even here are various administrative difficulties on the part of both Government and employers that are not generally realized. But to extend this method to the myriad borderline forms of employment, the casual earnings, the small earnings of marginal self-employed persons is a process which can be attempted only with a great degree of trouble and never will be perfected. Even for the partial extension of payroll tax coverage contemplated in H. R. 6000 we find numerous difficulties of definition and enforcement, a disproportionately increased administrative expense, and the quite untenable formula of taxing the self-employed by one and one-half times the employee rate.

Since social security is really a charge on the country as a whole, why not recognize it as such and finance it by adding an earmarked tax to our existing individual income-tax system? The machinery for this system has already been developed; it covers income earners of all types, whether employer or employee, farmer or factory worker or investment holder, and it leaves out the trifling amounts of income (those under $600 a year) which it is a nuisance to tax for social-security purposes or otherwise.

The reason for rejecting this ready-made and suitable form of taxation in favor of the inappropriate employment tax structure and the mammoth system of wage records is that of implementing the impression that this social-security program is a contributory program, and second, that the employer pays part of the cost. The error of the first of these impressions I have already pointed out. The second impression, that the employer pays part of the cost is also erroneous, in that the employer tax is largely passed on to the consumer; that is, to the general public. Nevertheless this employer-bears-the-cost argument is one which has been continually used by the Social Security Administration in order to get the support of labor groups and others. The idea is to make labor think the other fellow pays.

Fourth, the incomplete job coverage, inevitable under the payroll-tax method, forms a very convenient scapegoat on which the Social Security Administration can place the major blame for the social-security program's shortcomings. When asked by the Senate Finance Committee why only 2,000,000 out of 11,000,000 people over 65 are receiving benefits, Commissioner Altmeyer answered: "Exactly, and why is that? Because we did not start a system with universal coverage. I hate to remind you but the Committee on Economic Security did recommend universal coverage in 1935, just as we are recommending it today." Mr. Altmeyer knows that the major reason for the small proportion of beneficiaries among the present aged is the more fundamental defect that people already too old on January 1, 1937, to work on and after that date could not become beneficiaries under any job-coverage definition, and even if his own bill, H. R. 2893, had been law since 1937, over 6,000,000 of today's 9,000,000 nonbeneficiaries would still be nonbeneficiaries, but this device of blaming the trouble all on incomplete job coverage seems to have worked wonders for him. Even the normally astute Prof. Sumner Slichter was taken in by this deception, as is indicated in his prepared statement to the Finance Committee (see p. 2128 of the recent Senate hearings).

Even the estimates in the committee report on H. R. 6000 show that extension of job coverage will pay only a limited number of today's older people on the benefit rolls, and it should be remembered that those who do come on the rolls are either those who are still working or some others who are in a position and of a nature to work the system by getting a few extra "quarters of coverage" for themselves. Those who are now off the benefit rolls and are no longer working and who are too honest to work the system in this way will remain off the benefit rolls.

Even at that, I believe the estimates of number of beneficiaries in 1955 are too high. I am not aware of what pressures the present Social Security Administration actuaries work under, but I know that during my years as an actuary for that organization there was a decided pressure exerted to produce high estimates of the number of beneficiaries in the immediately ensuing years. This was partly to create a good impression of the effectiveness of the system and partly to assure a safely padded administrative budget for the organization. I recall, for example, how on one occasion I had worked out estimates covering, I believe, a 2-year period and submitted a detailed statement in support of them. Mr. John J. Corson, then Director of the Bureau of Old-Age and Survivors Insurance, sent the estimates back to me with various changes of his own penciled in, raising the estimates by probably 50 or 75 percent, and directed me to work out a justification of these revised estimates of his. This, of course, I had to do, though I was convinced of the greater accuracy of my original estimates, and it subsequently turned out that even my original estimates were too high. Some of the published actuarial estimates in connection with the 1939 legislation were several times too high; for example, it was estimated that the number of retired workers who would receive benefits in the middle of 1945 would be from a low of 1,217,000 to a high of 1,854,000, but the actual figure turned out to be only 431,000.

Fifth, the Social Security Administration officials will tell you that they prefer contributory social insurance to public assistance. They know, however, that passage of H. R. 6000 will transfer practically none of the present assistance recipients to the insurance benefit rolls and that despite the passage of H. R. 6000 the assistance rolls will probably grow for some years to come. The passage of a really effective social-security program, under which the current aged and the current survivors would be brought on the rolls to receive automatic benefits—that is, without a needs test—would make it appropriate for the Federal Government to withdraw completely from the assistance field, but nothing could be more distasteful to the Social Security Administration officials than this.

The two reasons for their preference of the perpetuation of this dual system of insurance and assistance are these: First, through participation in the State programs of public assistance the Social Security Administration officials are enjoying an increasing influence in State welfare administration, and, second, they are able to pit insurance recipients and assistance recipients in competition with each other for increasing benefit levels. It is a form of competition which has played beautifully into their hands thus far, and why throw away a device like this.

Sixth, vested interests in the existing form of program have been well developed. The Social Security Administration has encouraged covered workers to believe that they have paid for the benefits promised them and in this way a resistance on the workers' part has been built up against any change in the form of the program. But even more unfortunate is the vested interest of the Social Security Administration itself. Naturally it has the usual vested interest of a bureaucracy in its jobs, but even more, it is concerned about the perpetuation of the techniques and the philosophy it has built up. The wage-record system, for all the mechanical techniques and skill which have gone into its making, has become such a mammoth thing that any curtailment of it is unthinkable to the Administration. I recall the reaction I got to a proposal I made for a less steeply graded benefit scale, a proposal which I argued on the basis of both social desirability and actuarial equity. Other officials protested that if we adopted such a proposal, we might become unable to justify the wage-record system. Truly this system has become not a means to an end but an end in itself.

THE NEED FOR A STUDY COMMISSION

The most unfortunate thing the Senate could do would be to pass H. R. 6000 on the supposition that it would investigate its shortcomings later. Obviously, if it approves the bill, it will not hurry to take up a study of it later. But more important is the fact that the passage of this bill now would make it much more difficult and costly to develop an effective bill later. As it is politically next to impossible to lower benefits, if the Senate desires now to go to a uniform benefit system, it can do so now by setting the uniform benefit at about $45 a month but if now this bill is passed and then a uniform benefit is decided upon, the benefit level will have to be much higher.

It is safe to say that no really independent study of this subject has been made since the enactment of social security. There are those who will claim that the Senate Finance Committee's advisory council which studied the subject in 1948 was independent. The men and women who served on this council were big-name persons who were extremely busy in their own fields and could not devote the time necessary for extended original study of this subject. As the result the study staff, whose members were recommended by the Social Security Administration, did the real work. The data which the staff members provided for the council members were those which the Social Security Administration wanted them to see, and I have ascertained from some of the council members that various other facts which might have led to different results were never brought to their attention. There were independent qualified people who sought to serve on the staff and who later sought to come before the council meetings, but who were denied that opportunity. Social Security Commissioner Altmeyer was the only "outsider" permitted to come before the council with an expression of his views.

You ask me in your letter how an appropriate study commission should be formed and, as I have already indicated, I feel it should include persons who are proficient students, drawn from a variety of fields, persons who can approach the subject without pride of sharing authorship in the existing system, and persons who can devote extended full time to do original work.

Once the commission is formed, it is essential that it admit for expression of viewpoint any person who can demonstrate close association with the field of social security including those who wish to appear "off the record." If the commission is permitted to see only officially sanctioned data and to hear only officially stated views, as was the case with the 1948 advisory council, the whole project is wasted. I should propose that Government employees who have had experience with this program should be permitted to appear, with their presence and views held confidential. Some very interesting and valuable testimony could, in fact, be furnished by some present social-security employees whom I know, if this protection were granted them. Persons who appear on the record usually have a more genuine interest than many of the witnesses who appear at a congressional committee hearing, many of whom express views that are not their own and are given merely for the record.

I cannot tell you emphatically enough how necessary it is to have a study of this sort before any bill is enacted, and I sin-

erely wish you success in your efforts to chieve this end.

Yours very truly,

GEORGE E. IMMERWAHR.

Mr. CAIN. Mr. President, in conlusion, I have two groups of letters efore me. The first group consists of ix letters. Each one of them is from different type of organization, person r group in this country. One of the etters is from the International Asso-iation of Accident and Health Under-riters. The second letter is from the)ccidental Life Insurance Co. The third etter comes from the board of pensions f the Methodist Church. The fourth etter is from the Insurance Economics ociety of America. The fifth letter is rom Mr. A. R. Findley, who is serving as hairman of the social security commit-ee of the National Retail Dry Goods ssociation. The sixth letter is from an ctuary of an insurance company, which ouches on the necessity of a study by a isinterested technical staff.

Because I think such letters are of eal and positive interest to all Mem-ers of the Senate, I ask unanimous con-ent, sir, that I may be permitted to in-ert them in the RECORD as part of my emarks at this point.

There being no objection, the letters ere ordered to be printed in the REC-RD, as follows:

INTERNATIONAL ASSOCIATION OF ACCIDENT AND HEALTH UNDERWRITERS,
Chicago, Ill., May 19, 1950.

The Honorable HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SIR: This is in reply to your letter of May 12. May I commend your unwillingness to vote favorably for H. R. 6000 as it is expected to be reported to the Senate by the Senate Finance Committee, and your preference for a resolution that the social security establishment be left as it is, pending a thorough and completely independent investigation of its purpose, present status and future development.

May I suggest that your resolution contain three major provisions:

1. H. R. 6000 should be deferred pending an independent study of the philosophy of social budgeting and its dominant characteristics as contrasted to the present system of OASI and public assistance. This should constitute, in essence, the mandamus to the investigatory group.

2. The personnel of this investigatory body should exclude any present employee of the Social Security Administration or the Federal Security Agency, because, in all likelihood, such an individual would be predisposed to recommend, prejudicially, a continuation and expansion of the present system. I would recommend that the following people be named to the investigatory group: Mr. W. Ruion Williamson, a Mr. Calhoun, and Mr. Alfred Guertin, the latter a staff member of the American Life Convention.

3. The method of study should be independent, fair and impartial; should allow at least one year's time to prepare a report, and should utilize and accept opinions, offered by conference method, from leaders in government, business and labor. Leaders in agricultural and consumer groups should also be consulted.

My personal opinion is that our present system should be scrapped entirely and substituted with a system of social budgeting (national sharing), providing a floor of protection for the incidence of catastrophic contingencies. This system should provide universality, current rather than deferred protection, and broad social equity rather than individual equity. The system should allow contributions from all active citizens both employed and recipients of investment income. The system should not provide progressive taxation but rather earmarked taxes, probably as a part of the wage-withholding plan. The needs test should be avoided. There should be no disqualifications because of former intelligent thrift. The social budgeting system should eliminate the demoralization and awkwardness of present public-assistance programs. I agree with you that it should be the purpose of the investigatory commission to recommend the age at which benefits should become receivable and should indicate the size of benefits to provide the floor for subsistence. I am wholeheartedly in favor of an earmarked tax to make each individual citizen conscious of what he is paying. Such a system will, by means of an informed electorate, prevent future indiscriminate increases.

At your request, the above suggestions have been prepared hurriedly and only in skeletal fashion. I hope that my views may be of assistance to you.

Very sincerely yours,

WESLEY J. A. JONES.

OCCIDENTAL LIFE INSURANCE CO.,
Raleigh, N. C., May 19, 1950.

The Honorable HARRY P. CAIN,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: It is certainly heartening to read a letter such as you wrote me on May 17 indicating such sound views on our social-security bill which is now before the Senate. It so happens that within the last 2 weeks I was requested to write a note about our social-security plan that could be understood by laymen.

I have been out of town most of the time and have written such a note rather hurriedly, but I am pleased to enclose a copy.

You will note that many of the ideas set forth therein are similar to those stated in your letter. I am thoroughly in accord with your statement that patching up unworkable social-security programs is bound to produce more maladjustments than cures. We have had studies and commissions, but probably the personnel, although capable, did not have the time and independence that were necessary.

I think you will find that educators tend to be too idealistic, lawyers are legalistic, and professional economists become too involved in theories. In 1935 I was with the Treasury Department for about 3 months working entirely on social security tax questions. At that time there was a substantial difference of opinion among actuaries. It was interesting that 15 years later actuarial opinion was almost unanimous.

As a profession we are notoriously poor politicians, but perhaps some progress is being made. Your letter is one indication.

The commission, if it should be appointed, should not be composed of representatives of certain groups such as labor, business, insurance, or the security-board bureaucracy. Actuaries are practically never wealthy enough to have much of a stock interest in insurance and are usually independent thinkers. The commission should be heavily weighted with Members of the Congress and with actuaries who have been studying the development of the social-security plan for many years. It is unfortunate that we have followed the European ideas rather than some of the better thought that has come from our Latin-American friends. One of the soundest books that has been written on this subject is in Spanish by Mr. Walter Dittell in Guatemala.

Since time is the essence I have written this hurriedly promptly upon receipt of your letter, but would be glad to hear from you at any further time if I can be of any assistance.

Yours very sincerely,

J. M. WOOLERY,
Vice President-Actuary.

A democratic society must provide some orderly machinery for providing protection against inability of individuals to attain their own security. Before living became so complicated it was possible for the aged to do odd jobs around the farm, to help with the children, and to perhaps help with sewing and such small jobs. There were not the small homes with no extra rooms for the old people, and work was carried on without the specialization that has now come to be widespread.

There should not be any conflict or confusion between proper social security and the exercise of personal industry and thrift. Social security should represent the protection, the floor of subsistence to replace reliance upon charity and public relief. It should not prevent the individual from having the right and opportunity to raise himself to such level of security as his industry and thrift dictate. If social-security benefits are ever made acceptable as a standard of security, the will to work will be weakened and destroyed.

In 1935 the first Federal Social Security Act was passed providing monthly benefits for retired employees which was amended in 1939 to provide benefits for certain specific dependents. It was recognized that it would be a long time before the so-called old-age and survivorship insurance would adequately provide for aged. To supplement the old-age benefits, so-called assistance was also provided which was to be financed jointly by the States and the Federal Government. The old-age and survivorship insurance is all Federal. The old-age assistance is operated by the States with widely varying rules for receiving such assistance. Each State decides how much property or other resources those at age may have. The Federal Government contributes one-half of whatever the State pays each person. This, of course, has resulted in some States having much larger portion of their aged people receiving such benefits varying from about 13 percent in Ohio to nearly 90 percent in Louisiana. It has also resulted in the wealthier States receiving more assistance from the Government, since they match the number of dollars that the States pay out.

At the present time there are less than 2,000,000 receiving old-age insurance benefits for which they paid something and nearly 3,000,000 are receiving old-age assistance for which they paid nothing. The average old-age benefits are nearly twice what is received under the insurance benefits. It is hardly fair to pay twice as much to the ones who have contributed nothing.

House bill 6000 is now before the Senate. Under the present bill about 35 percent of the men and 5 percent of the women over age 65 are covered. Twenty years from now under the present bill, about 55 percent of the men and 12 percent of the women will be covered. Under H. R. 6000, which is the new bill now under consideration, 20 years from now approximately 70 percent of the men and 15 percent of the women will be covered. It is obvious from these few figures that both the present bill and the suggested one are far from adequate to the problem of our aged people. Government security plans cannot operate as private insurance companies do and build up reserves to take care of future benefits. Each generation of working people must take care of their own old people; that is, the ones who are now currently dependent, just as they must take care of those who are now children and not old enough to work. To promise large benefits payable in dollars years from now, means nothing unless we know what those dollars will purchase. Our standard of living will

depend upon production, and the standard of living 50 years from now will also depend upon production 50 years from now regardless of whether the average income is $2,000 or $20,000 a year. Everyone knows that it takes $2 now to do what $1 would do 10 years ago.

The present old-age security plan is discriminatory in favor of those who have more. The honest and thrifty farmer, small-business man, and school teacher receive nothing from our present social security unless they are willing to draw old-age assistance which is based on pauperism. The man who has drawn $3,000 a year and over for a few years and has recently reached age 65 is the one who is receiving the windfall of benefits amounting to about 10 times the value of what he paid in.

In addition to old-age insurance and old-age assistance, the third Federal recognition of the aged exists in a $6,000 income-tax exemption over age 65. This benefits obviously the well-to-do, and the higher in the income-tax bracket the more is the benefit.

The whole question of social security should be referred to a commission of experts who have made a study of such plans with the idea of solving the problem that now exists instead of promising large benefits for political purposes for working people when they retire years hence and which may or may not, most likely not, be sufficient to provide any reasonable living standard. The current tax collections which are made from the laboring people are sufficient to provide a floor of protection on the subsistence level to everyone who is presumptively in need. There should be no necessity of concealing small savings or of pretending to be a pauper in order to collect benefits. Presumptive need might be those who are 70 and over, those between 65 and 70 who are not employed, and those between 60 and 65 who are invalids or unable to work.

The present plan discriminates greatly against women and children. It discriminates against the workingman in the small income-tax brackets in favor of the worker who makes the higher salary. It discriminates against the farmer and the small-business man. It discriminates against school teachers and State and municipal employees. The present bill is inadequate.

THE BOARD OF PENSIONS OF
THE METHODIST CHURCH,
Chicago, Ill., May 23, 1950.

Senator HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I have your letter of May 16 about the extension of the social-security bill (H. R. 6000) which, if I understand correctly, has been already reported out for action.

I thoroughly agree with you that the whole social-security program needs revamping in the interest of national security. Wholesale adventures in socialism (which seems to be the political passion of the moment), can involve us in a vast mass of practically invisible contingent liabilities that can in a few years outrun the published Federal indebtedness.

Careful restudy of this fundamentally important concern of the Nation is a must item.

Knowing something of the results of far-reaching social-security schemes in Australia, Great Britain, and elsewhere, I am much inclined to think that we could go on the rocks just as hard as they have, unless we take counsel with wise actuaries who are capable of taking an unbiased view of the total picture. A commission like that recently headed by ex-President Hoover would seem to be in order.

A pay-as-you-go system would be much more realistic and hard-headed than the present procedure. Those who work for wages should bear the current cost of a basic pension for all who cannot any longer work. On that basis, every family would be brought to realize that the wage earners and not Santa Claus are the real carriers of this social responsibility. The idea that it can be cared for painlessly is bunk.

Your thoughts on this subject, as expressed in your letter, are quite in line with mine.

Cordially yours,
THOMAS A. STAFFORD,
Executive Secretary.

INSURANCE ECONOMICS
SOCIETY OF AMERICA,
Chicago, Ill., May 22, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: I deeply appreciate the opportunity given me in your letter of May 15, 1950, to express my views relative to H. R. 6000 and I am delighted to note your reaction and your approach to the problem of old-age survivors insurance.

You are to be congratulated upon your forthright stand in this situaton and I am pleased to give you my thoughts in an attempt to solve a problem that requires an immediate solution.

We should not expand the Social Security Act now operating on a false basis until a thorough study is made of the act since its inception in 1935. What is needed is an independent commission with authority and with adequate funds to ascertain the best method for handling the problem of caring for the Nation's aged. Patching up the present law is not the answer.

I agree in your think realtive to an honest pay-as-you-go system which could be kept on a supportable basis, thereby keeping the cost of social security before the people at all times and not creating a further debt to be passed on to future generations.

The Commission which you propose should be composed of men of standing with no prior connections with the Social Security Board. In the past too many advisory councils on social security have been dominated by individuals committed to the continuation and expansion of the act.

This matter is of vital importance to our American way of life and I am delighted that you will lead the way in correcting a piece of legislation that has dangerous implications for the future of our country.

I hope you will be successful, and if I can be of any help, please do not hesitate to call on me.

Sincerely yours,
E. H. O'CONNOR,
Managing Director.

WIEBOLDT STORES, INC.,
Chicago, Ill., May 22, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: I am so impressed with the cogency of your arguments and the conciseness, as well as the completeness, of your presentation that I am constrained to volunteer my views, even though you have not asked for them.

By way of introduction and background, I should like to state that I am now serving my 5th year as chairman of the social security committee of the National Retail Dry Goods Association, and am also a member of the social security committee of the United States Chamber of Commerce. I have given a great deal of study to social security problems and, more recently, to H. R. 6000 itself and the significance of the changes proposed therein.

Quite some time ago, I arrived at the same conclusions you have so admirably set forth in your letter. In fact, at a meeting of the directors of NRDGA held last January, I argued at some length that the association should adopt these conclusions as its policy. While many of those present agreed that such a policy is the only logical conclusion, they felt that the association could not publicly take such a position without taking a poll of its members and that extended education must precede the taking of such a poll.

There is no question in my mind but that you are on the right track. I sincerely hope that the arguments of yourself and others of a like mind may prevail and that the Congress can be prevailed upon to authorize a thorough study prior to adoption of any amendments as contemplated by H. R. 6000.

May I have your permission to send copies of your letter to the members of the NRDGA social security committee, some 20 in number? I think it would be helpful in crystallizing their thinking.

Sincerely yours,
A. RAY FINDLEY,
Vice President and Treasurer.

MASSACHUSETTS INDEMNITY
INSURANCE CO.,
Boston, Mass., May 22, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: My morning's mail brought letters from Mr. Williamson and from Mr. Pauley, both referring to discussions or correspondence with you about our country's social security structure. This is just a note to express my strong agreement with the proposition that an independent commission should weigh the faults of our present structure against the desirability of the type of immediate widespread minimum coverage which has been called "pay as you go". We have had studies of our social security system by able and disinterested men, but unfortunately the value of their studies is clouded because they did not have the services of a disinterested technical staff. I feel that one of the greatest long-range services that could be rendered to our country now would be the institution of such a study with a proper independent staff, and I hope that your efforts bear fruit.

As a matter of possible interest I am enclosing a copy of a statement submitted to the Senate Finance Committee this spring.

Yours very truly,
JARVIS FARLEY,
Secretary and Actuary.

STATEMENT ON H. R. 6000—SOCIAL SECURITY ACT AMENDMENT OF 1949

(By Jarvis Farley, Wellesley, Mass.)

My name is Jarvis Farley. I am an actuary, living in Wellesley, Mass., and working in Boston. I make no claim to being an expert in social security matters, but my work as an actuary has necessarily required me to give more thought than the average citizen to considerations of practice and of principle with which social-security legislation must deal and has given me some appreciation of the practical problems which must be encountered in connection with the complicated individual accounting structure of our present social-security law. Although I do not speak as an expert, therefore, I do have some well-formed opinions which I would like to express for your consideration.

BASIC STATEMENT

Of those opinions there are two on which I hold the strongest convictions and which run directly counter to our present laws and to this bill (H. R. 6000). One is the conviction that to postpone the full cost and full benefits of the social-security structure for a full generation is unnecessary, unsound, and dangerous. The second conviction is

that the maintaining of individual accounts for persons covered under the social-security laws is unnecessary and constitutes an unjustified and wasteful expense. I urge most strongly, therefore, that your committee study those aspects of the present law fully and objectively before making any decision which would make a later correction of these faults more difficult to accomplish.

In support of these opinions it is useful to look at the reasons why our social-security laws were first adopted. Each person is exposed during his life to the possible loss of the income upon which he relies for the means of living. Workers grow old or become blind, wives are widowed, and children are orphaned, and our Congress enacted legislation with the goal of providing a minimum income for each of those conditions. Even if the present bill were enacted, however, our social-security structure would fall far short of meeting that goal, partly because the full benefits of the law have been postponed for a generation and partly because our accounting structure is so complicated that it cannot provide wage records, and therefore provides no assured benefit, for a large proportion of our population.

Why were the full benefits deferred for a generation? A part of the reason lies in the reserve concept of the original legislation. It was thought then that the ultimate cost to the participants would be reduced if there were first developed a substantial reserve whose interest earnings could bear some of the ultimate cost. Part of the reason was the principle of individual equity—the concept that the benefits to each individual should reflect in some measure his personal contributions, so that no one was to receive full benefits unless he had been taxed for his full working lifetime. And third, if we are completely honest with ourselves I think we must recognize that a part of the reason for deferring the benefits was to postpone the full cost of social security. It seemed easier to accept the cost burden when the first impact was relatively light, but the full cost could not be posponed unless the benefits were also postponed.

How valid are those reasons today?

The reserve principle has already been substantially discarded, and there is no need to repeat here the reasons why the concept of reserves, so utterly essential to private voluntary insurance, is a dangerous fiction as originally adopted prior to the 1949 amendments.

The concept of individual equity—relating benefits to contributions—undoubtedly has political attraction. Individual equity is an essential characteristic of voluntary, private insurance operations, because in our democratic and competitive world insurance policies, like any other economic serivce, will be bought only if the purchaser is satisfied that he will get his money's worth. In one sense it is a high compliment to our private insurance companies that the sound principles which they developed in their voluntary operations were considered to be necessary in the Government's operations. The entire social-security structure, however, is based upon governmental compulsion, and, therefore, is subject to different concepts and requirements from those which govern private insurance. The Government can abandon the principle of individual equity and pay every aged or blind citizen and every widow and orphan today at a uniform benefit rate. Today's beneficiaries would have paid much less over the years than the beneficiaries a generation from now; but that result, after all, is only a special example of progressive taxation. Our whole progressive income-tax structure is an example of the Congress' willingness to depart from principles of individual equity when it feels that some greater benefit can thereby be obtained.

The third reason for deferring benefits—the postponement of cost—has already served its basic purpose. The social-security law has been enacted and is widely accepted. It is still politically attractive to continue postponing the cost, but it is dangerously easy to underestimate costs of the distant future. It would be politically attractive and much more realistic to pay now the level of benefits which are provided for a generation from now—and to pay them to all aged, orphaned, and widowed citizens, not only to those on whose account there happens to be a wage record.

You have been urged to provide greater benefits—sometime in the future—and to levy taxes accordingly—also sometime in the future. Opponents of the present bill have said that the ultimate cost of the proposed benefits will be far greater than the proponents can visualize. In effect you are being asked to enact a law which may be workable if everything works out as its proponents suggest, but which could be disastrous if the passage of time shows that the opponents were better prophets.

The key of your problem is uncertainty as to the cost of what you are being asked to do. I suggest most strongly that the solution of that problem is to make the calculation *as* of today, not as of some date many years from now. Give the benefits now, give them to everybody now, and accept the cost now. Give benefits which you are sure, on the basis of present calculations, the country can afford now. If experience proves that the benefits you provide cost less than we are prepared to pay, then extend the benefits currently and accept the cost currently; but base your actions and decisions on present conditions—on what you can see today, not on the unknown and unknowable future. What looks like a dilemma is really an opportunity, a rare opportunity, to create a sounder structure and provide greater benefits by a single decision.

Finally, if you provide a uniform benefit plan you will make it unnecessary to keep individual accounts. I don't know the cost of the present social security accounting establishment in Baltimore, but it must be tremendous; and yet the cost of the individual accounting system is not to be measured solely in terms of the Government's establishment. The greater part of the cost is borne by the employers of our country. Maybe you saw a while ago a cartoon which pictured a small factory and beside it a large office building labeled "Accounting Department." The cartoon exaggerated, of course, but an important part of the cost of doing business today lies in the reports and accounts which the Government requires for each individual employee. The cost of maintaining accounts of individual wage records, essential under the present benefit structure, would be quite unnecessary if a uniform benefit were provided for every eligible person. Thus the tremendous present cost of individual accounting would be a saving to credit, along with the saving from present assistance payments, against the increased present cost of providing the benefits now.

This is not, of course, the first time these ideas have been expressed. You have heard them frequently from Mr. Williamson, and you are all familiar with the excellent statement which Mr. Curtis appended to the House report in connection with this bill. I agree with their views, and I urge most strongly and sincerely that before you make any decision on House bill No. 6000 you cause to be made, by disinterested people, a complete and objective study of the desirability of accepting now the full cost of paying benefits and of freeing the country from the cost of the present individual accounting system.

Mr. CAIN. As I recall it was on the 12th day of May that the junior Senator from Washington wrote an identical letter to several hundred people throughout the country who he had reason to believe were authorities of one kind or another on the social-security question. From perhaps as many as a hundred replies I have selected 26, only because they offer more in fewer words than do the remainder of the letters. However, the Senator from Washington wishes to express his real appreciation to everyone who was thoughtful and kind enough to write to him in reply to his letter of May 12. I think the inclusion of this group of 26 letters from students of the social-security question in America will complete the record on the pending bill which the junior Senator from Washington in all sincerity and with a complete sense of humility has attempted to establish. Therefore I ask unanimous consent that the 26 letters to which I have referred may be printed in the RECORD at this point in my remarks.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

WASHINGTON NATIONAL INSURANCE CO.,
Evanston, Ill., May 23, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: Thank you very much for writing me as you did on May 17 regarding H. R. 6000.

I agree with everything you say in your letter. The present social-security law needs a complete and thorough study and overhauling by experts in the field, including actuaries. Such a study should investigate the feasibility of placing the law on a pay-as-you-go basis. The members of any study commission should consist mostly of experts outside of the Government, so that the commission would not be controlled by experts now employed in the Social Security Administration.

The inequities as to benefits and taxes whereby the young workers carry the burdens of the older workers should be corrected and such benefits and taxes kept to a minimum to encourage savings through private channels.

As a matter of fact, I personally feel that compulsion of any kind is in the direction of socialism, and all people should be encouraged to save through presently existing private sources, such as banks, building and loan associations, Government bond savings, life insurance, etc. The Government should step in only where the States fail, and then only on the basis of a means or needs test.

The tax burden is now so heavy that starting a new business is often abandoned because of tax considerations. Reducing or eliminating the social-security tax would be a good place to start in taking the Government out of business and reducing Government personnel and record keeping and taxes.

I feel as you do—that nothing should be done at all now and that H. R. 6000 should not be passed. We hope that you can convince the Senate that a thorough study should be made instead.

If I can be of any assistance to you in any way please let me know.

This letter is also written in behalf of Mr. H. R. Kendall, chairman of the board of this company, to whom you addressed a similar letter.

Yours very truly,
R. J. WETTERLUND,
Vice President and General Counsel.

HEALTH AND ACCIDENT
UNDERWRITERS CONFERENCE,
Chicago, Ill., May 18, 1950.

Hon. HARRY P. CAIN,
The United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I appreciate very much the opportunity given me in your letter of May 15, 1950, to express my views with regard to the social security bill (H. R. 6000) and your approach to the whole problem of old-age and survivors insurance.

Personally I agree 100 percent with your approach to the problem, and while I cannot speak for our 150 members, I believe that most of them would agree with you. I feel that your letter is such an important contribution to the subject that I am sending a copy to each of our members. No doubt you will hear from many of them.

You have evidently given this question an unusual amount of thought and study, and I want to commend your realistic and courageous approach to the difficult and complicated problems involved in the care of the aged regardless of any political consideration.

While I have no doubt that the Senate version will be an improvement over the House bill, it will not even attempt to cure the inequalities, injustices, and omissions of the present law. Neither will it get away from the exceedingly cumbersome and expensive system of wage records, but will only increase the size of that operation.

I agree with you that there should be a complete overhauling of our whole old-age insurance and assistance program, and that it should be done now before more people acquire more or less of a vested interest.

The Commission which you propose should be composed of outstanding citizens representing every important segment of our population which would have an interest in the result of the investigation including general business, insurance, and labor. They should have a competent and independent technical staff, not dominated by any special interest, and especially free from control or influence of the personnel of the Social Security Administration, who are the authors of the present system and are committed to its continuation and expansion.

The working out of the details and the necessary legislation should, of course, await the report of the proposed commission.

I hope that you will succeed in bringing to pass the kind of investigation you propose, and if I can be of help to you in any way, do not hesitate to call upon me.

Sincerely yours,

C. O. PAULEY,
Managing Director.

WASHINGTON, D. C., *May 18, 1950.*

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: This is in response to you letter of May 11 requesting my views as to objectives, personnel, and methods which might be followed by a commission established to make a fundamental technical study that can lead to a constructive redesign of our social-security system.

You point out some practical results of the present "insurance" and "assistance" programs, particularly in their application to today's aged, and the importance of a basic reappraisal and revision of social security rather than merely amending these programs.

This need for a basic reappraisal is apparent when we look back on what has happened so far in the development of the social-security programs, and especially when we appraise some of the unplanned results of these programs.

I feel certain that practically everyone who has given serious thought to the problems of social security has been profoundly troubled by the trends away from the conception of individual and family responsibility in the decade and a half since the Social Security Act was adopted.

GENESIS OF SOCIAL SECURITY

Most of us can recall the considerable degree of economic distress leading to a series of emergency measures during the depression, and to the eventual adoption of the Social Security Act in 1935 on the principal basis of its being a desirable alternative to emergency relief. It cannot be overlooked that even at that time there was a school of thought interpreting the Social Security Act as an official admission that individual enterprise had failed as a method of achieving security, and that the Federal Government is obligated to underwrite the individual economic security of its citizens.

You will recall that there was a so-called economic brief compiled at that time and used before the Supreme Court in arguing the constitutionality of old-age and survivors' insurance and unemployment compensation. This brief consisted largely of depression statistics selected to maintain a thesis that a large portion of our population are helpless pawns on the chessboard of economic forces and cannot provide any reasonable security for themselves or their families. The argument was that this situation was so typical of our citizenry and so national in scope that destitution had become a matter of national concern justifying action by Congress. Furthermore, the brief put forth the thesis that destitution was so typical in the case of unemployment or attainment of age 65 that benefits paid on a presumption-of-need basis—that is, without regard to the actual situation—were justified.

We have seen a rapid development of the conception that benefit payments are a "right." Some of these payments are now called insurance, though, at the same time, the contractual implications of the term are disregarded in a demand for larger and larger monthly amounts—particularly for those whose income has been largest and whose presumptive need should be least. We have also found an untenable distinction between the millions of our citizens who have not been covered under old-age and survivors' insurance and are receiving no benefits and our fortunate aged who have been covered and can qualify for benefits costing actuarially perhaps 20 times the OASI taxes they have paid. Many of us have been troubled by the propaganda that these fortunate beneficiaries have paid for their benefits.

You will also recall that in 1935, when the Social Security Act was adopted, it was generally conceded that the fiscal position of the Federal Government was much better than that of many State and local governments, and thus that it was expedient for the Federal Government to participate by way of Federal grants to the costs of State relief programs for the needy aged, for needy children in broken homes, and for the needy blind.

We have all observed that since that time the relative fiscal positions of the Federal Government and of State governments have been almost reversed, and also that old-age and survivors' insurance now covers a large part of the population, and that the economic condition of the typical family is not to be compared with a few years back. The logic of the situation is that the needy rolls should be much smaller and that Federal grants should be no longer required. But, in fact, we find many more on the needy rolls, greatly augmented Federal grants, and pressure for bigger payments under the present programs and for covering disability and all medical care.

These Federal grants in essence represent a compulsory transfer, though the exercise of the general taxing power, of money from all of our citizens to only some of them. The Federal grant program is supported by general taxation. Human nature being what it is, this is an inherently dangerous procedure, tending to create a tremendous pressure for more and more funds from recipients and prospective recipients, while the great mass of citizens are unaware of the ultimate consequences of the system, and consequently afford no present effective checks and balances.

While obviously there is a justification for making social-security payments under some circumstances, just as obviously payments should not be made without a clear-cut justification.

PURPOSES OF COMMISSION

I should conceive it to be the function and purpose of a social-security commission to examine anew the broad problems of individual and family security, ascertain the areas where private initiative and group effort are in fact inadequate to afford opportunity for a reasonable security, and make recommendations as to the extent and through what mechanisms, Government should supply benefits to the families and individuals concerned.

This is a herculean task. It involves the employment of competent task forces to gather various pertinent data to make certain that the factual basis of the commission's conclusions is sound. It involves getting at the actual current economic facts of life instead of relying on the selected depression statistics of the economic brief previously referred to.

There was no economic brief adverse to this Government brief submitted to the court. So far as I know, no such comprehensive compilation has since been made and no attempt has been made to explore the soundness of the conclusions or the validity of the statistical data or methods reflected in the brief. Thus acceptance of the depression-born statistical conclusions urged on the court has been by default, and it is of basic importance that an up-to-date unbiased appraisal be substituted for the old economic brief. Presumably there should be a considerable difference in appropriate social-security measures in an economy where there is a widespread ability to achieve individual security and in an economy where there is no such ability. It is thus of primary importance to examine into the original factual and statistical basis of social security.

Perhaps the most important single function of the Commission itself as contrasted with its technical staff would be the formulation and publication of a social-security philosophy, based on documented premises. Quite probably the actual end result of such an effort would be the formulation by factions of the Commission of two or more social-security philosophies. I cannot believe it likely that any clear-cut philosophy could be developed to which all members would subscribe. However, if opposing philosophies are announced and spelled out by factions of the Commission, this would be a striking advance over the present situation. At least the Congress and the people would have two spelled-out philosophies presented for their choice, and each philosophy would be subjected to attack on any of its vulnerable points.

Today we have only a kind of an unacknowledged official philosophy concerning individual and state obligations. This official philosophy is evidenced by official viewpoints of the Federal Security Agency and the Department of Labor, and these viewpoints coincide for most practical purposes with the viewpoints officially expressed by labor leaders. Both have issued an enormous amount of propaganda to support their conclusions.

While a strong protest has been voiced to some specific recommendations that have

been predicated on this unadmitted official philosophy, those disapproving, by and large, have not presented arguments derived from any clear-cut common philosophy.

It is important to the country that the general philosophy supporting or opposing any series of recommended changes in social security be clarified in terms of underlying assumptions as to the rights and obligations properly existing between the state and the individual, assumptions as to the individual's obligations and opportunities for working out his own economic security, and the conditions under which, and extent to which, his personal welfare may ethically require a compulsory transfer of purchasing power from others.

We badly need, for example, a critical examination and appraisal of the philosophy and assumptions underlying statements such as the following, which was made at the recent social-security hearings before the Senate Finance Committee:

"The workers are insistent that they receive adequate benefits and additional types of benefits not now included in the social-security law."

* * * * *

"Properly financed and administered, retirement benefits are as much a charge against industry as depreciation of machinery or any other contingency that industry may provide for. That the Government has a like responsibility is also true. In the instance of old-age and survivors insurance, the worker is willing and does make his contribution, thereby sharing the cost with the employer, who might well have to meet it all, and with Government who meets it in another form by taxation, referring of course again to direct aid to the States and so forth under the so-called old-age benefit plans."

SPECIFYING THE SCOPE OF COMMISSION'S WORK

It would seem to be of basic importance that the Commission's field of work should be specified to be extremely broad. By implication, at least, the work of the two advisory councils appointed by the Senate Finance Committee has been essentially the improvement of, and additions to, the programs provided for in the Social Security Act, as contrasted with a basic reappraisal of the problems of individual and family insecurity. This was likewise true of the Ways and Means Committee's technical study. There has also been, to put it mildly, resentment in some quarters where the study overlapped into areas covered by systems such as railroad, civil service, and military retirement and veterans' benefits. The underlying problems of security should mark the scope of the study, and this requires an appraisal of all the existing mechanisms, by whatever name called, which affect the broad underlying problems of security.

In the opinion of many, there are fundamental differences in philosophy and practical justification of the various governmental systems. Certainly, it is exceedingly important that they all be appraised by the Commission if it is to effectively survey the underlying problems of security. It is of general public importance that an impartial Commission get at the basic facts and furnish the public with a comprehensive description of each system, and of its purpose and justification. The public should know what each program is costing, who is footing the bill, who are covered by the system, and the effects of coverage. The appraisal should not only cover the matter of required contributions, if any, and potential benefit amounts, but also cover matters such as certainty of protection, individual incentives toward thrift, and other important consequences of each system. Only through such a comprehensive overall factual study can there be an intelligent appraisal of the underlying problem of individual and family security, what Government is doing about it, and what Government should do about it.

The scope of the study must naturally go further than an appraisal of what government is doing in the field of security. For the end result of the study—what government should do—requires an appraisal also of what individuals are doing, and what they should be expected to do for their own security, through individual or nongovernmental group action. There has been a great deal of ingenuity and effort given by government to the development of facts indicative of the shortcomings of free enterprise in providing security. It is equally important that facts be developed indicative of the limitations and consequences of governmentally operated mechanisms designed to provide security.

APPOINTMENT OF COMMISSION

It would seem to be of fundamental importance in establishing a commission that the membership should be appointed on some basis which would insure that social-security issues would not tend to be prejudged. As it would be primarily a researcher and adviser for the Congress, there is a strong basis for its membership to be appointed by congressional leaders. To insure at least a bipartisan approach, I should suggest that one-fourth of the members be nominated by the President of the Senate, one-fourth by the minority leader of the Senate, one-fourth by the Speaker of the House, and one-fourth by the minority leader of the House.

Respectfully yours,

LEONARD J. CALHOUN.

THE SWARTWOUT CO.,
Cleveland, Ohio, May 23, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: It is an honor to be included among those you have asked for advice with respect to our social-security program.

While none of us here at Swartwout are experts in such matters, we have a community of interest in the way we work together, and an understanding of conditions which affect our own and country's welfare which is, I believe, definitely above the average. So instead of giving you my own personal answer, I gave your letter to Charles E. Cooper, superintendent; Robert Boodman, president of our local union; and Edward Sadar, who is a member of the executive board and one of the stewards of the union. The union is affiliated with Mechancis Educational Society of America.

After all had read your letter, we met and discussed the problem thoroughly. The following represents our carefully considered opinion, based upon the belief that the common-sense principles to which we must adhere in our business if we are to survive, should also be practiced in any national program:

1. Old-age benefits should be applied alike to every person who has reached the stipulated age. There is manifestly nothing either fair or sensible about including some and excluding others. We would not differentiate between those who are very well off financially, those who are modestly fixed, and others less fortunate. Nor would we require anyone to stop work in order to qualify. Each time elaborate conditions are set up, there must be an increase in the army of clerks and statisticians to check and recheck all of the data. It should be a comparatively simple matter to satisfactorily prove one's age, and then devise a means to stop the payment with death.

2. The amount of the old-age benefit is exceedingly important. It should be great enough to make certain that life can be sustained with some simple comforts, and without the recipient becoming a burden upon relatives and friends, insofar as the bare necessities of life go. But in no case should the amount be great enough to encourage people to draw old-age benefits rather than working when they are perfectly able to do so. Of course, it is easier said than done to state these basic considerations for selection of an amount for old-age benefits. We realize that the amount necessary to support a person in one part of the country is much less than in another part of the country; also, that the matter of health has much to do with it. We would be inclined to make the amount large enough to sustain a person in the more expensive areas and not worry about the excess of payment in the less expensive areas because the money would be spent anyway and add to the general activity of business. The greatest hazard to be avoided is having the amount great enough to lead many people to draw old-age benefits rather than work.

3. We would put the whole payment on a pay-as-you-go basis. There are at least two basic defects in the present method. In the first place, the idea that there are true credits to everyone who is making a contribution is fictitious. Inasmuch as the collections have been put into Government bonds, which we owe to ourselves, and which must ultimately be retired through taxation, it simply means that we, collectively, have spent the money that has been collected and are going to have to produce it all over again in sufficient amount to pay benefits. So it seems to us a lot more sensible to admit that we are really on a pay-as-you-go basis, and set up a minimum amount of cash which must be maintained at all times to cover variations in collections as compared with payments, but not go beyond that. It does not seem to us that it should be considered as insurance in the usual sense because the only insurance is our earning ability to earn and pay the necessary amount when the time comes.

In the second place, when collections are made as at present and credited to the individuals, there is a tremendous amount of work that must be done by the employer. This costs money and involves a lot of people who are not producing the things and services we all want. On top of that, when these figures come into Washington, another army of thousands of people must handle them and sort them out, again with a great waste of human effort. On top of that, if we are to include everybody under the present plan, imagine the difficulty of reporting on some small percent of pay all the laundresses and people in domestic service who are not in any way connected with a corporation that has adequate bookkeeping facilities.

4. This brings us to the matter of collections. As it is both impractical and very expensive to go on as at present, we suggest the money be collected by taxation in a way which will eventually come out of everyone's income. While we, who derive our own earnings from the success of the Swartwout Co., are not particularly anxious to saddle taxes on corporations, it would seem as though a specific part of the income tax on corporations might be devoted to that purpose. Obviously, the taxes paid by corporations must, in the long run, be included in the selling prices of the products. Since nearly every article and every service we all buy is manufactured or provided through the efforts of corporations, it would seem that a tax arrived at in this way would ultimately be paid by all of us pretty much in proportion to the money we spend, which is in turn related to our income.

5. We would then do the entire administration job through the States. The sole function of the Federal Government would be to see that there was a uniform law which

did truly apply to every single citizen who had reached the qualifying age, and then collect the money and distribute it to the States. It would take a very small office force on the part of the Federal Government to do this job. The distribution to the States would, perforce, be in proportion to the need of the States, which would, in turn, be based upon certified statements each year as to the number of people qualified to receive old-age benefits in each State. We would go farther than that, and carry that responsibility for a certified list of qualified citizens down to the smallest community within the State. It would be the job, for example, of the Government in the village in which I reside, to receive and check applications, and then furnish such a list to the State. It would cost very little to do this and the State, on its part, would also have a relatively small clerical job to maintain such checks as were needed upon the reliability of the local lists, and then pay out the money according to those lists.

6. Finally, so that everyone could understand exactly what was going on, and be able to recognize objectionable practices if they crept in, we would like to see the Federal Government publish an annual financial statement. Our first thoughts are that such a statement would show, on one sheet and with respect to all of the States in the United States, the following information:

(a) Number of qualified recipients as of the year end.

(b) Estimated percent of population represented by these recipients.

(c) Dollars paid to the recipients.

(d) Dollars received from the States.

(e) State administrative costs, including local municipalities.

(f) Percent of State administrative cost to the payments made by the State.

(g) Total Federal administrative cost.

(h) Percent of Federal administrative cost to either the money paid out or money received.

(i) Total dollars paid out.

(j) Total dollars received.

(k) Balance in fund.

(l) Tax rate for current year.

(m) Proposed tax rate for next year.

With this information available, reasonably promptly after the year end (and it should be a simple thing to provide that), the working and cost of this old-age benefit plan could be very plain to anyone.

In order to maintain the minimum cash balance necessary in the fund, the rate of taxation should be varied every year. This again, it seems to us, would be a very simple thing to figure, and one that would be easily understood by everyone.

Again we want to thank you for your courtesy in asking our judgment in this matter. We are vitally interested, all of us. The group in our company consists of 250 people in shop and office, and we do about $2,500,000 worth of business each year, in the industrial equipment field. We also share in the profits of our business. We want to keep on doing that, and we want to do it in a way which will be better and better for us, and better and better for everyone else, and at the same time with a minimum of hardship when our folks or others reach the age when they are no longer able to work.

Sincerely yours,

D. K. SWARTWOUT,
President.

CAMBRIDGE, MASS., *May 16, 1950.*

Senator HARRY P. CAIN.

DEAR SENATOR: I have not made a detailed study of H. R. 6000. However, I have read the bill which Congressman KENNEDY sent me several weeks ago at my request.

I am very strongly opposed to H. R. 6000 for the following reasons:

1. Only a comprehensive actuarial study can provide a reasonably reliable estimate of the future annual disbursements under the bill. However, it is obvious to me as an actuary, that ultimately the annual disbursements will require tax revenues equal to at least 8 percent of the payrolls of all persons eligible to receive benefits, and that possibly the disbursements will require ultimately, annual revenues equal to as much 16 or 20 percent of such payrolls.

A bill requiring such enormous revenues for its maintenance should not be enacted until actuarial estimates of cost, based upon adequate study, have been made; and, outstanding economists, using such estimates, have expressed their opinions as to the effect of such a program and its cost upon the welfare of the American people.

Without such prior actuarial and economic study, enactment of H. R. 6000 may readily be found in practice to be an actual serious ultimate detriment to the American people, instead of a boon.

2. The bill does not provide death and old-age economic protection for 100 percent of the American people but is applicable only to certain portions of the people—perhaps 40 to 80 percent. Many classes of low- and medium-income people whose economic need and moral claim to such protection are equally as great are excluded from the benefits. However, they are not excluded from the expenses. Either directly through taxation to make up ultimately the difference between the disbursements and revenues provided in the bill,; or, indirectly through the increase in the cost of consumer goods that necessarily results from the bill, these excluded people will contribute to pay the costs. H. R. 6000 does broaden the base to cover many groups that are not within the benefit provisions of the present social-security laws. It would not be difficult to devise a revised, and, I believe, a more equitable law that would cover all of the people who have need for such protection and who have an equally valid moral claim for it.

I strongly recommend:

(A) Rejection of H. R. 6000.

(B) Appointment of a senatorial or congressional committee with power to employ actuarial and economic experts, to make a comprehensive study with the aid of such experts, and prepare a bill that will provide death and old-age protection on an economic-needs basis for all American citizens and lifetime residents of the country.

Very sincerely yours,

E. H. HEZLETT,
Fellow of the Society of Actuaries.

THE DAILY TRIBUNE,
Royal Oak, Mich., May 18, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR MR. CAIN: Your realistic letter about the social-security bill (H. R. 6000) and the social-security situation in general is a most encouraging exhibition of common sense. That you cannot go along with the highly deceptive proposal now before Congress is a tribute to both your honesty and your courage.

Describing our present social-security system as insurance is a swindle which our citizens who are now 20, 30, or 40 years of age will wake up to some day. I believe my own feeling on this matter is much the same as yours; that no amount of wishing to help others, no emotional mouthing of high-sounding phrases, will set aside the established laws of arithmetic. Two plus two plus two always makes six, whether it refers to plain, single dollars or to billions.

My own inquiries disclose the astonishing fact that the average citizen thinks our present social-security system is a scientifically planned way of insurance; that the workers of this country (those now covered) and their employers are actually piling up sufficient funds to care for future payments. There is almost no appreciation of a factor pointed out in your letter—that stopgap, old-age assistance is not gradually diminishing but is actually expanding at an unbelievable rate.

Certainly a completely independent investigation of our whole social-security program is urgently demanded. Such an inquiry should be conducted by a commission with a definite minority membership of Government officials or employees. Set some real insurance actuaries and some trained financial men to work to analyze this situation just as Dun & Bradstreet would look into the financial standing of a corporation or individual.

Let us do everything possible to install and maintain a social-security program that will be thoroughly understood by our citizens and that will have a chance of doing what it is supposed to do.

I am enclosing copies of three columns I have written for our newspaper (circulation, 23,184) on social security. There is always the risk of oversimplifying the situation or particular phases of it, but in writing for daily newspaper publication one must always take that chance. So I try in each instance to pound on one point of the problem, for the sake of emphasis and (I hope) clarification.

Congratulations again on the intelligence and forthrightness you are displaying on this vital matter.

Sincerely yours,

FLOYD J. MILLER,
President.

P. S.—I am taking the liberty of sending a copy of this letter to our Senators from Michigan and to GEORGE A. DONDERO, the Representative in Congress from this district.

F. J. M.

ILLINOIS MUTUAL CASUALTY CO.,
Peoria, Ill., May 18, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: It is my understanding that you contemplate leading the floor fight against H. R. 6000.

Even though it is my understanding that the Senate Finance Committee has made some changes in this bill, in my opinion there should not be any extension of social security until such time as a fair and impartial commission has had an opportunity to make a survey of what is necessary. Therefore, I welcome your opposition to this bill, and wish you every success.

Sincerely yours,

E. A. MCCORD,
President.

PROVIDENT LIFE & ACCIDENT INSURANCE CO.,
Chattanooga, Tenn., May 18, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: Your letter of May 16 is most encouraging.

I hope sincerely that we may soon have a thorough and fundamental review of social security. It is preferable that this study precede any revision of the present act, but it will still be needed even if the bill reported out yesterday becomes a law.

The study commission should weigh the relative responsibilities to be assumed by the community, the individual and his employer. It should develop an orderly method to discharge the community part of the responsibility. This needs to be well within our power to pay and must leave a sufficient incentive to thrift.

The answer will be futile unless it can command broad public support. For that reason I would like to see the commission include men with experience in legislation,

It should also enlist economists, tax specialists, and actuaries.

The commission should have a sufficient operating budget that it can retain independent specialists and thus secure information from all pertinent sources.

Sincerely,

K. B. PIPER,
Fellow of the Society of Actuaries.

THE MUTUAL LIFE INSURANCE CO. OF NEW YORK,
New York, N. Y., May 22, 1950.

Hon. HARRY P. CAIN,
Committee on Public Works,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: Thank you for your letter regarding social security legislation.

I agree with what you have to say about social security generally and the pending legislation in particular. In fact I believe that there is a very strong feeling among actuaries who have taken a special interest in social insurance, that the system should properly be placed on a current cost-current benefit basis. I am entirely in accord with the idea that a fundamental technical study—objective and nonpolitical—is needed for our social security system.

You are no doubt familiar with the recent testimony before the Senate Committee on Finance. A number of insurance men including actuaries contributed to this testimony.

You will find an ardent supporter of your views in one of our leading actuaries, Mr. W. R. Williamson. He was at one time actuarial consultant to the Social Security Board and has studied both our own social insurance system and those of other countries. I mention him in particular because he lives in Washington and would, I am sure, be glad to help you in any way he can.

If I can be of any further help, please let me know.

Cordially,

LEIGH CRUESS.

AMERICAN COLLEGE OF SURGEONS,
Chicago, Ill., May 16, 1950.

The Honorable HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I agree in principle with everything you say in your letter of May 12. One unfortunate result of the policies pursued by the Federal Government since March 4, 1933 is the almost complete eradication of thrift among our people. Government paternalism has been one factor and excessive taxation another.

There is no doubt but that the rapid aging of our population has created a problem—a problem which will grow for at least a few years. Reluctance of business and industry to employ people over 45 years of age has accentuated this problem.

The plain truth is that we are now headed for, if not actually in, an economy in which, as my good friend Frank Dickenson likes to say, the old people are climbing piggy-back upon the young and riding to the grave. This adds to the difficulty of young people being thrifty.

There is not the slightest doubt but that the entire social-security program is in great need of study and reevaluation before it is expanded. A commission, made up of the type of people you describe, would be the only body which could produce a sound study. This should be made up of economists, physicians interested in the care of the aged, and what might be called citizens of the national community. Professional welfare workers would be a menace. The commission could obtain all of the technical assistance needed and it is not necessary to include technicians in its membership. The greatest need is for an honest actuarial study of the situation—not the kind that is constantly being made by the Federal Security Administration.

I feel sure that every American who wants to keep this country a land of opportunity will support you wholeheartedly in your effort.

Sincerely yours,

PAUL R. HAWLEY, M. D.,
The Director.

THE MUTUAL BENEFIT LIFE INSURANCE CO.,
Newark, N. J., May 19, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Committee on Public Works,
Washington, D. C.

MY DEAR SENATOR: Your letter of May 16 about H. R. 6000 and about the deliberations of the Senate Finance Committee in connection therewith interested me greatly.

When H. R. 6000 was under consideration, I sent to several Members of the House of Representatives the enclosed letter, marked "A" in the upper right-hand corner. Incidentally, when this came to the attention of Representative ROBERT W. KEAN, he sent me a copy of Report No. 1300 of the House of Representatives, Eighty-first Congress, first session, which contains a report of a minority committee, of which Representative KEAN was a member. No doubt this document has come to your attention.

When the amendments to the Social Security Act were being discussed in the Senate, I sent to each of our New Jersey Senators a memorandum, a copy of which is enclosed and is marked "B" in the upper right-hand corner.

These will indicate to some extent my current thinking on this important topic.

My suggestion of the omission of the yearly increase in the benefit for each year of coverage (the so-called increment) is in harmony with the point expressed in the paragraph at the top of the second page of your letter.

In fact, I am becoming more strongly of the opinion that a straight pay-as-you-go plan would have much to commend it, not the least of the advantages being the ability to abandon the complicated and huge mass of records established and maintained in the Baltimore bureau to implement the terms of the act. Procedures which are sound and, in fact, essential in the operation of private insurance and annuity plans are not necessarily most suitable for public plans, and the management of the latter must be regarded in very broad terms.

The suggestion in the second paragraph of your letter that the matter be placed in the hands of a competent commission seems to be timely and likely to produce useful results.

Yours very truly,

JOHN S. THOMPSON.

THE VOLUNTEER STATE LIFE INSURANCE CO.,
Chattanooga, Tenn., May 17, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: I am in thorough sympathy with the views expressed in your May 11 letter.

You ask that I write you about the objectives, the personnel, and the method of study that might be pursued by an independent commission on social security.

The objective is to obtain a workable system. It should have a minimum of administrative cost and bureaucracy. Clearly, it must be adjusted to the economic strength of the country. We should give an assurance of basic security to widows with children, to orphans, and to the aged. Equally, we must not destroy the incentive to save. This system should be separate from relief. The Federal Government should get out of the old age assistance programs of the individual States. Any system supported by taxes should aim to provide a floor of protection. It should avoid discrimination. It will not take the place of employer plans because the problem of retiring the older workers at a pension which will look reasonable to them and their fellow workers will remain.

As regards personnel of such a commission, Mr. W. R. Williamson (statement, January 30, 1950, before Senate Finance Committee) has listed tax men, business economists, financial men, demographers, and actuaries as typifying the thorough professional approach which should be given, and I would agree. It is important that the study should be in the hands of non-Government men. Also, sufficient time should be given for an adequate study; Mr. Hoover said a year.

If, as you say, men of standing—independent, competent, and informed in this area, are secured for this commission then they and their leader will probably be most competent to outline the methods to be followed. I think the principal members, of whatever profession or calling, should include the whole study as their field but each group should do the specialized work for which the members are best fitted. For example, I would expect that the group of actuaries on the commission would be particularly concerned with what level of benefits at what starting age can be provided by what tax.

I thank you for writing me and giving me an opportunity to comment on this matter of such vital importance. Unfortunately, due to the railroad strike or other reason, I did not receive your letter till yesterday and I hope you may get this in time for your purpose.

Sincerely yours,

A. E. ARCHIBALD.

CALIFORNIA-WESTERN STATES LIFE INSURANCE CO.,
Sacramento, Calif., May 18, 1950.

Senator HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR CAIN: Your letter of May 12 in regard to social-security bill (H. R. 6000) was received.

I find myself of the same opinion as you express in your letter.

The Federal participation in providing benefits for old people on a means test relief basis is very wrong in my opinion. If it is not stopped it will ultimately annihilate the regular social security old age plan.

I do not regard myself as having enough information to criticize the present social-security benefits, but I heartily agree with the thought that something like the Hoover Commission should study them and make recommendations. I think such a commission might well include such men as Reinhard A. Hohaus, actuary of the Metropolitan Life Insurance Co. I have followed his reports and discussions of the social-security program for many years and regard him as well informed, sound, capable, and, I believe, in a position where he can be free to view the subject from the standpoint of the interest of the public and the Federal Government.

I would also suggest the name of William Rulon Williamson as a member of the actuarial fraternity, who is capable and intensely interested in the social-security program. If you are not in touch with him, you should most certainly appeal to him. His address is: W. Rulon Williamson, senior actuarial consultant, the Wyatt Co., 3400 Fairhill Drive, Washington 20, D. C.

Sincerely yours,

MARCUS GUNN.

AID ASSOCIATION FOR LUTHERANS,
Appleton, Wis., May 19, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: It was a pleasure and a very gratifying experience to receive your letter of May 16. I am pleased to know that there are those in the Senate, such as yourself, who are becoming increasingly conscious of the real implication contained in H. R. 6000.

I have, with great interest, followed the development of the social-security legislation and particularly the progress of the efforts of the present Social Security Administration to obtain revisions in the present act which can only break down further our system of free enterprise and the noncollectivist way of life.

I completely agree with Senator TAFT and many others who are finally realizing that the word "insurance" is very improperly used when referring to any benefits under the Social Security Act. Our social security program is not insurance at all. When stripped of its ramifications it is only a program which gives benefits to certain groups who qualify under the terms of the act. The program is supported by taxes also levied against certain groups, but there is no relationship between the taxes and the benefits. Such an arrangement is completely foreign to the true concept of insurance.

I am glad to know that you have concluded that you cannot vote for the bill containing the provisions of H. R. 6000. I believe that you are completely sound in urging that the social-security establishment be left as it is, pending a thorough completely independent investigation and overhauling. I believe you are also completely right in your statement that patching up unworkable social-security programs is bound to create more maladjustments than it cures.

I would urge you to fight hard for the establishment of some sort of Hoover Commission that would undertake the study along the lines which you have in mind. There are men of standing—independent, competent, and informed in this area who could help in this task. There are not so many as there should be. The field of social insurance, and all phases related thereto, is comparatively new and the problems involved are so vast that few competent minds have been developed which understand the real problems. Men like M. Albert Linton, president of the Provident Mutual Life Insurance Co., Philadelphia; R. A. Hohaus, actuary of the Metropolitan Life Insurance Co.; and W. R. Williamson, consulting actuary of Washington, D. C., are men who, in my opinion, really understand the ramifications of a social-security system, not only from the actuarial standpoint, but from the economic, social, and political standpoints as well.

As to the method of study that might be pursued by such a commission, I fear I have little to offer. It would, however, seem to me that whatever our eventual social-security system should develop into, it should be based on a policy and objectives which are completely nonpolitical. This is perhaps the greatest obstruction in obtaining an adequate study at this time. In the 15 years since social security was first spread across our Federal statutes, we have learned much which was not available at the time the Social Security Act of 1935 and the 1939 amendment were passed. I believe that the knowledge gained during that time has not been used adequately in the development of H. R. 6000.

The results of social-security systems on the Federal Government level throughout the world are certainly not compatible with the free-enterprise system which we so highly prize in our country. Real factual and competent analyses of all of these systems should be included in any study forming the basis of a recommendation for change in our social-security system.

Incidentally, I have noticed that just this week the Senate Finance Committee has approved a modification of H. R. 6000. The newspapers did not carry what I believe to be the major modification; namely, the provisions for benefits in the event of permanent and total disability. It is my understanding that the Senate committee eliminated that provision, and I am certainly glad to know that they did that much. In my opinion, if the provision for permanent and total disability were to be included in any revision at this time, it would be a great mistake. The inclusion of disability benefits brings an entirely new concept, entirely new administrative problems into a system which is already suffering from unworkable provisions. If the Senate committee did not eliminate the permanent and total disability provisions, this bill should be defeated on that score alone, in my opinion.

I am sending a copy of this letter to the two Senators from Wisconsin. If, in addition thereto, you would care to give me the names of other Senators who might be influenced by similar letters, I would be pleased to write them also.

Very truly yours,
WALTER L. RUGLAND,
Actuary, Fellow of the Society of Actuaries.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, May 19, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

MY DEAR HARRY: Your letter of May 16, unfortunately, catches me in preparation for a brief western trip, and, therefore, I am unable to give you all of the help which you ask.

I am gratified, however, to find that the conclusion to which you have come on the social-security program is so much in line with my own thinking. Your thought that what is needed at this time is a thorough and independent restudy and assessment of the whole problem of social security is one in which I strongly concur. It is indeed important to oppose the pending social-security bill and to urge as an alternative the appointment of a commission along the lines of the Hoover idea.

At this time I am not in a position to comment on the matter of the personnel and method of study that might be pursued by such a commission. I do feel, however, that a study and review commission, if provided for, should be composed of men who are socially and economically liberal, but definitely sound in their monetary and fiscal views. It ought to be possible to find men of standing and competence who have these qualifications. Given a commission of this type, adequately staffed with technicians of broad training and experience in the field, I am confident that appropriate methods of inquiry and study will be developed.

You may be interested in some views on our social-security problem which I expressed in a recent speech. I quote them in full:

"Regarding social security, let me say at the outset that I think this is a field in which a great deal can be done to provide for a more stable expansion of consumer expenditures, which would help to bring about a more balanced increase in capital expenditures. But if we want such a social-security system we will have to change our whole approach to the subject.

"In the first place, it must be a Federal Government program and it must be greatly expanded in scope from the one that is in existence today. The Government should underwrite and guarantee for all of its citizens unemployment income, education, health, and old-age security up to its ability to pay for such benefits and at the same time maintaining a climate that would produce sufficient savings and incentives to provide needed productive facilities for an increasing standard of living and an increasing population. By doing this, the Government would assure a basic level of purchasing power in the economy that would provide a certain market for a substantial share of the commodities and services produced by our industry and agriculture.

"Secondly, the social security benefits should be paid for currently out of general tax receipts. They should not be financed out of payroll tax receipts that have been accumulated over time in a large reserve fund. Payroll taxes are too heavy a burden directly on consumption and indirectly on investment and are therefore undesirable when what we need in the long run is increased private consumption and investment. Reserve funds have to find lodgment in Government obligations, the proceeds from which must be spent to pay for Government deficits or to retire other outstanding obligations.

"These ideas on Federal social security are by no means radical. I should like to quote from an editorial published in the New York Herald Tribune on March 2:

" 'What our social security system demands today is not a mere expansion of the existing structure; it demands first of all a thorough restudy of the problem and revision of that structure if it is to have any chance of carrying the much vaster needs now contemplated for it.

" 'The system was set up in 1936. Thirteen years' experience has established beyond serious question the principle of national and public responsibility for providing security against the hazards of old age and dependence; the same experience has at the same time led powerfully to the conclusion that the system was not well designed, that it is extravagantly wasteful, and in an important sense a virtual failure.

* * * * *

" 'It is impossible for such a plan to offer any insurance against changing price levels and particularly so when the very operation of the plan can have its inflationary effect. It cannot in any real sense save up through a reserve fund, when Government bonds are the only possible investment for the fund and its only "earnings" are those provided by the taxpayers who meet the interest on the bonds. However, the financing may be juggled, the provision for old age is a current cost on the community, coming in any given year out of the current production, and it is already an urgent question whether a frank shift to a current cost or pay-as-you-go system would not yield a structure far more economical, more equitable, more adequate to current needs and offering much more genuine security for the citizen's future than the present one.'

"I could not state my views on the social-security question more simply and directly than the editors of the New York Herald Tribune have done in that editorial.

"As a final point on social security, I should like to say that I think the recent growth in private pension funds is a very undesirable long-run economic development. I am opposed to this development primarily because I feel that the growth of these funds will tend to affect the functioning of the economy adversely in two important ways. They will result in the further accumulation of funds in reserves seeking low risk investment opportunities. This encourages Government deficits to provide securities to absorb accumulating reserves. They will also result in some redistribution of income from low to higher income groups. This will come about because the financing of private pension funds will increase the prices of goods and services that are purchased in the main by the low-income groups. The pensions will

be paid, on the other hand, only to a few selected and relatively well-paid groups of executives and industrial workers.

"I am also opposed to the development of private pension funds on other economic grounds. They will discriminate against small companies, for only large companies can afford them. The growth of private pension funds will make it even more difficult for small businesses to survive in a world of industrial giants. Private pension funds will also greatly inhibit the mobility of labor from one firm to another for workers will be extremely reluctant to forfeit the pension rights they have built up. They will also probably lead to discrimination against older workers, for employers will hesitate to employ people near the retirement age."

You will gather from these paragraphs that I am in full agreement with you that the matter of social security is one of "vital importance to the preservation of our system of free enterprise and the noncollectivist way of life."

Please be assured of my every encouragement to your effort to correct basic errors. If I can be of further help in this matter, please do not hesitate to call on me.

Sincerely yours,

M. S. ECCLES.

THE WYATT CO.,
Chicago, Ill., May 15, 1950.

The Honorable HARRY P. CAIN,
Committee on Public Works,
United States Senate,
Washington, D. C.

MY DEAR SENATOR CAIN: The matter covered by your letter of May 12 is most timely, and I am pleased to offer a few views on the social-security legislation now pending. These comments follow the points brought out in yur letter and will necessarily be brief.

First of all, I agree that a thorough review by an independent commission formed of experts in various fields (among others: social insurance, economics, law, finance, and actuarial science) is essential to the construction of a sound program. The present method of separating old-age benefits between insurance and assistance is little short of ridiculous, in my opinion, and merely affords an excuse for poorly conceived and loosely administered relief programs by the States. Furthermore, it appears that administrative difficulties in the way of universal OASI coverage are more fancied than real, and result from thinking which is restricted to the framework of the present law. That old-age benefits might well be provided on a different basis seems never to have occurred to many advocates of H. R. 6000.

Unless a suitable method of administering universal old-age benefits is devised, and unless the total present burden is properly related to social-security taxes on a pay-as-you-go basis, we are going to be faced with public misunderstanding of the true costs and many unsound proposals for increased benefits. I believe in getting the OASI payments up and the assistance payments down, as soon as possible.

Like you, I am opposed to the keeping of detailed wage records to determine benefits, and believe that social benefits, being in the nature of subsistence, are properly divorced from the concept of individual equity—the range in possible benefits under the present law, according to earnings level, is quite narrow already, and hardly justifies the detailed record-keeping—a proper flat benefit under present conditions might be between $50 and $75 a month. Likewise, for receipt of benefit, consideration might be given to an age condition alone, although it might be desirable to deny benefits to anyone who has not filed a personal income-tax return for a specified minimum period of years—such return possibly including a special line for the social-security tax.

A change in the qualifications as indicated should silence the schemes for stamp books and other complicated administrative procedures, as well as induce greater honesty in the submission of tax returns. In connection with the latter, assuming that a simple method could be found to correlate information between the Treasury Department and the Social Security Board, there would be no objection to scaling the benefits over a moderate range, according to income reported in the return. This feature might, however, have to be omitted entirely.

Because of the future load on productive workers to carry the old-age pensioners, I am not sure that I favor automatic payment regardless of earnings status, even though this would simplify the administration. Particularly, I do not think it wise to contemplate age 65 as the automatic age at which payments are to begin, whether or not an employee continues to work, since it may well become necessary or desirable to retire the average employee at a later age in the future.

I look forward to hearing of your success in furthering this important project.

Sincerely yours,

FRANK L. GRIFFIN, JR.,
Vice President and Actuary.

JOHN HANCOCK MUTUAL
LIFE INSURANCE CO.,
Boston, Mass., May 19, 1950.

Hon. HARRY P. CAIN,
Member, United States Senate,
Washington, D. C.

MY DEAR SENATOR CAIN: I was very much interested in the comments in your letter of May 12 with reference to H. R. 6000 and the social-security problems related thereto. It is easy to understand why you have concluded that you cannot vote for the provisions embodied in H. R. 6000 nor in the forthcoming Senate version thereof and why you are urging instead that "the social-security establishment be left as it is pending a thorough and completely independent investigation and overhauling."

In particular, you question the necessity of the dual system of Federal old-age assistance and old-age and survivors insurance; you favor a pay-as-you-go system with age as probably the only qualification; you favor providing a reasonable floor of pension benefit which would leave room for personal thrift to make up the balance; and you favor retaining the present taxable maximum of $3,000 of annual earnings.

You have asked my views on this question, including "the objectives, the personnel, and the method of study that might be pursued" by the special commission which you have in mind.

In reply I am pleased to state that I share with you your general apprehension about our social-security program as it now stands and that H. R. 6000 is not the way to solve the problem.

1. I agree with you that there is no justification for permanently continuing the present dual system of Federal old-age assistance and old-age and survivors insurance. The question of abandoning the Federal assistance program and the means by which this is accomplished, is a subject requiring very serious consideration.

2. I would place more emphasis on the pay-as-you-go system and would favor a relinquishment of the present deferred-benefit system, which by its nature implies the accumulation of reserves.

In this connection, you may be interested to know that in 1944 and 1945 I was a member of a special legislative commission appointed to study the retirement systems of the Commonwealth of Massachusetts and its political subdivisions. This commission recommended the use of a nonreserve basis as far as public funds are involved, the annual appropriation by the appropriate governmental unit of the share of the total pensions to be paid from public funds, and the very gradual release of reserve funds previously accumulated under predecessor systems, as they become needed to partially offset the rising costs due to increasing pension loads. This recommendation was adopted and the anticipated beneficial results are being slowly realized.

3. The objectives of the contemplated study might include such topics as—

(a) The extension of the social-security system to cover the millions of people now excluded. This phase of the study should include not only the question of including in the system more groups presently employed, but also the present retired aged in the population who are not under benefit in the old-age and survivors insurance program. This phase of the study would depend partly on the solution to the problem in the next following item.

(b) Consideration of the problem of removing the Federal Government from the assistance field by bringing all, or substantially all, the present aged into immediate benefit and by removing all Federal assistance to the States, leaving to the States or municipalities the entire problem of aid to any persons not covered, or not amply enough covered, by the old-age and survivors insurance system.

(c) Consideration of the respective merits of various types of benefit formulas, the degree to which such formulas should depend upon wages earned prior to receipt of benefit, and the associated problem of the administrative costs of maintaining wage records.

(d) Retention of the provision for lump-sum benefits only in cases where no other benefits become payable.

(e) Reconsideration of the schedule for increasing payroll taxes in the light of the program finally adopted.

(f) Increase from $15 to $50 a month in the amount of earnings permitted without loss of social-security benefit (no limit after age 70).

(g) Study of proper integration of private pension plans and social-security benefits.

In this connection it will be difficult, if not unwise, because of serious overlapping, to extend social-security benefits to various classes of public employees already amply provided for under pension plans supported in large part by public funds at State and municipal levels, as well as at Federal levels. In the case of pension plans applicable to nonpublic employees, benefits may be adjusted relatively easily to reflect those available under the social-security program. This is not the case with plans covering public employees since such plans arise from special legislation, the amending of which is difficult to accomplish.

(h) Encouragement for extension of private contributory pension plans to supplement the floor of coverage provided by social-security benefits.

(i) Question of enforced retirement at age 65 of employees who are able to stay in employment.

(j) Employment opportunities for elderly people.

(k) Problems involved in the care and housing of the aged.

(l) Consideration of the governmental level at which the problems in (j) and (k) are to be handled.

(m) Inadvisability of providing for a system of total and permanent disability benefits on a Federal basis, and the advisability of handling such benefits, if at all, at a State or local level, possibly on the basis of a means test.

4. As to the personnel of such a commission, I assume above all that it should

be nonpartisan and that it should include representatives from the fields of industry, labor, farming, medicine, social services, and insurance. The representative organizations functioning in these fields can furnish you with the names of suitable and qualified representatives. For the life-insurance industry, I would suggest you communicate with Mr. Bruce E. Shepherd, manager, Life Insurance Association of America, 488 Madison Avenue, New York 22, N. Y.

5. I would urge you to refer to the papers on Social Budgeting developed by Mr. W. R. Williamson, at present a consulting actuary residing in Washington, which outline a solution to our present social-security difficulties. I refer you also to the speech of the Honorable CARL T. CURTIS, of Nebraska, in the House of Representatives on October 4, 1949, with which you are undoubtedly familiar. I believe, also, that the writings on this subject by the two actuaries, Mr. R. A. Hohaus and Mr. M. A. Linton, would be valuable. As you may know, the former is an actuary connected with the Metropolitan Life Insurance Co. and the latter is also an actuary, serving as president of the Provident Mutual Life Insurance Co.

6. As to the method of approach, I assume that this would consist of a period of intensive study by the special commission, followed by public hearings. In this connection, I would call your attention to the recent study made by the Brookings Institution in connection with social-security problems. Undoubtedly such a commission should seek the advice of experts in the various fields to which the problems are closely related.

In closing, I would like to stress abouve all that any revision of benefits under our social-security system should not elevate such benefits above a reasonable maximum floor level and that ample room should remain for additional benefits to be provided above such level through regular employee and employer pension schemes and other vehicles designed to encourage and stimulate individual effort.

I trust that you will find these comments of help to you in your investigation of this very important problem.

Sincerely yours,

HAROLD A. GROUT,
Vice President and Actuary.

BANKERS LIFE CO.,
Des Moines, Iowa, May 18, 1950.

Senator HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR: It was a pleasure to receive your letter in regard to the social security bill (H. R. 6000). The bill in its original form seemed to me to go too far and I am glad that the Senate committee has taken out some of the features from the original bill.

It may be that this bill has gone so far through the legislative process that it is not possible to postpone consideration of it, but, of course, that is in the hands of Senators and Congressmen.

I sincerely hope that before any more tinkering is done with the Social Security Act, Congress will appoint a broad committee which will study not only the Social Security Act, but the whole broad problem of social benefits which at present are covered in many different acts. When we deal with the whole problem piecemeal we are very apt to find overlapping benefits, omissions, conflicting doctrines, and many other things of that sort.

In a pioneer society the people upon whom misfortunes like disability, unemployment, the declining powers of old age, blindness, etc., do not starve but in various ways they are taken care of by society, either in the form of relatives, local authorities, charities, or by government. In all such cases, these unfortunates receive a basic minimum amount from such sources. It must be remembered however, that all such amounts spent for adult unfortunates as well as the amounts spent to raise our children to the age when they go to work must be provided from the national income of those who are at work, and by those, I mean individuals as well as the legal entities we call corporations.

In our more complex civilization, the doctrine has arisen that these people and children must be taken care of by a more centralized body than in the pioneer society, and consequently, we have the Social Security Act, unemployment insurance, aid for children, and blind and other retirement acts. The benefits under all these plans just as in the pioneer society must come out of the national income of individuals and corporations. It is most important that we keep this in mind and that we do not raise the benefits of any of these various plans to a figure that makes the whole cost too much of a drain on the sources of contributions. It is, therefore, vitally important that we survey the whole picture as one unit instead of, as I have already mentioned, tinkering with first one piece and then another piece.

Now to return to the Social Security Act itself. Back in 1935, it was most unfortunate that the insurance idea used in individual annuities and pension plans got mixed up with the Government's plan. A governmental, compulsory plan is entirely different from the usual insurance plans because the Government has the power of compulsion. In a private plan, since there is no compulsion, it would be quite the natural thing in human nature to postpone buying insurance until one is ill and to postpone buying an annuity until one is about to retire. We have seen the troubles of assessment companies which had no power of compulsion. It is for this fundamental reason that all insurance plans require the accumulation of reserves. When one comes, however, to governmental plans with the power of compelling people to join, we can very well use a pay-as-you-go system or one that is practically that. The insurance concept in the original Social Security Act has led us into all sorts of novelties such as taking care of those already old in a different manner to those in the plan. This other plan, old-age assistance, has not worked out at all as it was originally thought and instead, it is growing rapidly while the insurance social security concept is growing slowly.

The whole question is a very involved one. I hope that I am not boring you with a few of my thoughts. I sincerely hope that Congress will take its time to look thoroughly into the over-all problem and that it will appoint a broad committee who will carefully consider the whole problem of social benefits and all its ramifications and study the road in which we are going. I firmly believe that if this is done, we will clearly understand and be able to plan for methods of taking care of unfortunate people in our system of free enterprise but we must approach the problem with our eyes open or we may very well find ourselves with a system that has all the glittering promises that are held out by collectivist systems of the world which in reality are a cloak for slavery.

I hope our paths cross some day before long so we may chat at greater length than is possible in a letter.

With best wishes.

Sincerely yours,

E. M. MCCONNEY, *President.*

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK,
New York, N. Y., May 18, 1950.

HON. HARRY P. CAIN,
Committee on Public Works,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: In response to your letter of the 11th of May concerning social security legislation, I quite agree with you that a thorough and completely independent investigation is required of our social security program. Also, I am favorably disposed toward a pay-as-you-go system with the retirement payments linked to a payroll tax.

The commission selected to study the social security program, should be nonpartisan, nonpolitical, and composed of highly qualified experts. Such men, I feel certain could be obtained from universities and also from the business world. Time will be required for such an investigation in order that the report may be searchingly thorough. A hazardous guess is it would take at least a year from the time the committee is appointed before the report is completed.

I appreciate your letter and would be happy to be of any assistance I can.

Sincerely yours,

B. H. BECKWORTH,
Professor of Banking.

GROUP HOSPITAL SERVICE, INC.,
Wilmington, Del., May 22, 1950.

HON. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: I was extremely interested in your letter of May 13, setting forth your views on the present social security program and your thoughts concerning the need for a change in our thinking concerning such legislation. I agree with you in the points you covered in your letter.

To confuse old-age assistance and old-age and survivors benefits with insurance as is ordinarily construed to cover other hazards is fundamentally wrong. In my opinion the setting up of a so-called insurance fund to cover a situation which, while remote, nevertheless is predictable insofar as we know that it is going to develop and only unpredictable insofar as we cannot now assess its magnitude, is overly optimistic thinking. Why we should not, as you suggested, adopt a realistic and practical approach to this problem by putting it on a "pay-as-you-go system" I cannot understand, unless it is because of the fact that the magic in the use of the word "insurance" insures the sale of the idea to the American people.

Everything contained in your description of the system as you visualize it I personally feel is logical and practicable. Certainly it would have the effect of placing squarely before the people the question of whether or not they wanted to embark on such a program, and from time to time would serve to remind them, at the time of the budget for the forthcoming year, of the inevitably mounting costs of such a program even on the conservative basis on which you outlined it. Actually, such a program, as I see it would be no more than a universally administered relief fund, offered without the necessity of a means test.

I have given relatively little thinking to the subject of exactly how this program might be investigated, but it would seem to me that as a matter of course a commission established for this purpose would need to rely heavily on the services of population experts as well as actuaries and experienced statisticians. I have no doubt that in many insurance companies as well as in a number of universities there are men of this ability who

would be competent to view this problem in an objective and dispassionate manner. A commission embarking on such a study should hope to arrive at a reasonable computation of the year to year cost to this country for the kind of program you outline at some date in the future, for example, 1960, with alternative costs based on greater or less benefits. Such a group should recognize the fallibility of putting these costs on anything but a percentage basis or in some terms which would make the cost understandable in terms of future inflation. For example, our recent upswing in pension demands is a sobering reminder of the fact that sums set aside for old-age benefits today may prove to be entirely inadequate in the "expanding economy" era of the future. Mere dollars set aside, therefore, are likely to constitute a poor yardstick of actual cost to the Nation as compared to some other method of expression.

It would seem to me that the first field of exploration on the part of such a commission as you suggest should be an attempt at an honest appraisal of the amount the American people are willing and able to contribute to such a program, on the assumption that it will be applied currently to the entire population over a certain specified age. This, I think, should be a matter more for the unbiased interviewer than for the social worker or social planner who would be apt to begin such an undertaking with very preconceived ideas as to public desires, both as to the receipt of funds and the expenditure of them.

Fundamentally, of course, such a survey should be made by a bipartisan group, not addicted to any specific program but sufficiently conscious of the need for some reasonable and intelligent assistance. I think that such men can and should be found.

I hesitate to write on a subject on which I am comparatively uninformed and have developed ideas only as a sort of bystander in the field of social insurance. I am really regretful that more specific plans and ideas as to the personnel which might implement such a study are not within my grasp, but I want you to be assured that I thoroughly concur in your feelings and would willingly help in any way that I can to bring about the approach you so ably recommend.

I should like to suggest that Mr. Allen B. Thompson, vice president and actuary of the Associated Hospital Service of New York, New York City, from his wide experience in the Blue Cross and Blue Shield field, and Mr. Max S. Bell, vice president of Continental American Life Insurance Co., Wilmington, Del., might offer you some worth-while suggestions.

Sincerely,

H. V. MAYBEE,
Managing Director.

WOODMEN ACCIDENT CO.,
Lincoln, Nebr., May 22, 1950.

Senator HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: Thank you for writing me as you did on May 15 regarding the social-security bill, H. R. 6000, on which a report will shortly be rendered by the Senate Finance Committee. We have followed the development of this legislation both in the House and during the hearings before the Senate Finance Committee and are in complete accord with your conclusion that H. R. 6000, if passed or enacted with the amendments proposed by the Senate Finance Committee, would constitute nothing more nor less than a perpetuation of the unsound existent system. You are undoubtedly familiar with the minority report of Representative CARL CURTIS, who is a member of the House Ways and Means Committee. Mr. CURTIS represents the First Nebraska District and I am one of his constituents. I am in complete accord with Mr. CURTIS' conclusion and the position which Senator BUTLER, of Nebraska, has taken in regard to this legislation.

You have summarized the situation, as I see it, when you state that "patching up the present unworkable social-security program will create more maladjustments than it cures." If we accept the notion that the Government must provide some benefits for the aged and the indigent, certainly common sense dictates that the whole social-security situation be surveyed in an objective manner by people who can bring a disinterested point of view to bear on the problem. As you well know, it is most unlikely that such objectivity can be found in the Federal security agencies. I heartily endorse the study that you propose. I hope that Congress in its good judgment will vote such a survey and will delay taking any action on amending the present system until the results of such a study are available. I believe that competent personnel who do not have an ax to grind can be found to conduct such a study. Their objectives should be to determine to what extent the Government should accept responsibility for the aged, the orphaned, and the widowed, and by what means provision can be made for them. Certainly in a time when the economy of the country is strained by the necessity of carrying on a cold war it is folly to heap additional heavy burdens upon the taxpayer in order to indulge in reckless social experimentation. You are to be congratulated upon your courage in taking the position that you have in this matter.

Cordially yours,

E. J. FAULKNER,
President.

THE NATIONAL UNDERWRITER CO.,
Chicago, Ill., May 22, 1950.

Senator HARRY P. CAIN,
United States Senate,
Committee on Public Works,
Washington, D. C.

MY DEAR SENATOR CAIN: For a variety of personal and business reasons, I have not been able to give the kind of attention to replying to your May 11 letter propounding social security questions that it deserves.

I am complimented by your inquiry and I only wish that I could offer some helpful suggestions. In general I find that I concur in your thesis and especially do favor the idea of a thoroughgoing study of the whole social security system and theory. There is, I believe, no urgency for legislation today; there are no great and reasonable wants that cry for satisfaction at this moment. Moreover as time goes on, the evidence of experience may point strongly in one direction or another. Hence the kind of study that you envisage can be afforded and would be a wise plan.

The make-up of the commission would be all-important. It could very well embrace men with capacity to understand the whole of a problem and with intuitive and imaginative qualities, but who have not been deeply involved with social security matters. It would presumably be necessary to include individuals representing various elements of the population and with considerable social security background. But to get together simply a group of men who have been more or less living with this problem for the past 10 or 15 years, I think would accomplish little.

Necessarily these men have developed attitudes that are more or less frozen and they may have a record of consistency to maintain, they may cling to answers that were good on the evidence of 10 years ago but are questionable today. What would be good would be a balance between men steeped in this thing and men with the capacity to come to grips with such a monumental problem but without serious prior exposure to it.

While I do not have any specific names to suggest, it occurs to me that the places to look for those with the desired endowments are on the bench, among churchmen and college presidents (perhaps freshly retired), I think I would depart from your specifications as to the type of commissioner wanted to the extent of deemphasizing "informed in this area" at least insofar as some of the members are concerned. It is my observation that the best informed in this area are the most dogmatic, the least disposed to take a fresh look, to permit factors other than those to which they are wedded to circulate in their consciousness. That is entirely human and natural and a product of age. I remember that advisers in setting up the system originally in 1935, very shortly saw the mistake of too slavish copying of the private insurance reserve principle in the field of public pensions, and they had not become too brittle to change direction. Today that same group, I think could hardly be expected to read the signs so clearly and change direction so readily. These informed men would bring attitudes, facts, opinions, background and history to the council table, but it seems to me that there is a place for men who can evaluate all this welter of viewpoint, who can see a problem, simplify it, project the answers into the future and come forth with a crystal clear analysis.

Your letter is proof of your statesmanlike approach to this bewildering problem and it deserves a far more penetrating reply than I have been able to give. It is perfectly clear that there are no absolute principles in this field that are clearly apparent today and you are most assuredly on firm ground in advocating as today's step, a superior type of study.

You have my very best wishes.

Faithfully yours,

LEVERING CARTWRIGHT.

SEATTLE, WASH., *May 22, 1950.*

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

MY DEAR SENATOR CAIN: It is encouraging to know that you have given such serious consideration to the character of our present social-security legislation and the various proposals to amend it. I find myself in complete agreement with your position, both with respect to the discriminations involved in our present social-security system and with respect to the folly of attempting to cure these discriminations by a patch-work job such as is proposed by H. R. 6000.

It seems to me that the fundamental misconception involved in the present social-security legislation is the idea that John Doe Citizen is saving through social-security taxes some money which will help him take care of his old age. What John Doe Citizen needs to understand is that the social-security taxes which he now pays are used for current Government expenses, including payments to those who are now eligible for social-security benefits. In turn, John Doe Citizen will get his social-security benefits, not from what he has saved during his working years, but from taxes paid by John Doe, Jr., and other taxpayers of future years. What he receives will not bear any relationship to what he paid in taxes.

The social-security law was originally conceived as a law which would provide subsistence benefits and the dollar benefits now in the law were determined in the light of the purchasing power of the dollar in 1939. As the value of our dollar changes, we can expect the amount of benefit to be changed from time to time so that it will continue to provide subsistence benefits. It is apparent that in the long run the benefit that John Doe Citizen will get will be much more dependent upon the changing value of our currency than upon John Doe's wage record.

It is wasteful, and therefore it is stupid, to build up a cumbersome record of wages for

the millions of citizens who have come under the social-security system. Because the value of the dollar is not a fixed but a changeable thing, most of the wage records which have been accumulated will ultimately be useless.

It is foolish to build up two systems of providing subsistence benefits for older citizens; one which we call assistance, and give only to those who can prove that they are in need, the other we call insurance, because those who are in the insured group have paid a special tax. The contradictions of the dual system are pointed up by the fact that many persons eligible for the insurance benefit claim the assistance benefit because it is greater.

When it comes to specific suggestions as to personnel I naturally think first of those in my own profession who have been concerned with the technical problems of insurance, annuities, and pensions. I would particularly suggest the following:

W. R. Williamson, 3400 Fairhill Drive, Washington, D. C. Mr. Williamson was actuarial consultant for the Social Security Board during the first 10 years that this law has been in effect. He has probably given more serious thought to the fundamental problems of this law than any other man in this country. He is currently senior actuarial consultant to the Wyatt Co., a firm of consulting actuaries and pension consultants.

Joseph B. Maclean, Yarmouth Port, Mass. Mr. Maclean was formerly vice president and actuary of Mutual Life Insurance Co. of New York and is a past president of the Actuarial Society. He is the author of the well-known reference book Life Insurance. While Mr. Maclean is now retired he is carrying on an independent consulting practice and is a man of considerable vigor and exceptional competence.

Thomas A. Phillips, chairman of the board, Minnesota Mutual Life Insurance Co., St. Paul, Minn. Mr. Phillips is a past president of the American Institute of Actuaries. I believe that his present company duties are such that he can spend a considerable amount of time on a project such as the one we are now talking about.

The following men are all of outstanding competence in the professional field and have given considerable attention to social security problems. However, most of them have substantial executive and administrative responsibilities in their companies and it might be difficult for them to arrange to devote the proper amount of time to such a commission as you propose:

Edmund M. McConney, president, Bankers Life Co., Des Moines, Iowa. Mr. McConney is now president of the Society of Actuaries. (This is the main professional body representing life insurance actuaries on this continent and was organized last year as a consolidation of the Actuarial Society and the American Institute of Actuaries.)

R. D. Murphy, executive vice president and actuary, Equitable Life Assurance Society of New York and a former president of the Actuarial Society.

M. Albert Linton, president, Provident Mutual Life Insurance Co., Philadelphia, Pa., and a former president of the Actuarial Society.

R. A. Hohaus, actuary, Metropolitan Life Insurance Co., New York, N. Y., and a former president of the American Institute of Actuaries.

A. J. McAndless, president, Lincoln National Life Insurance Co., Fort Wayne, Ind., and a past president of the American Institute of Actuaries.

Henry Beers, vice president, Aetna Life Insurance Co., Hartford, Conn.

Ronald G. Stagg, president, Northwestern National Life Insurance Co., Minneapolis, Minn., and vice president of the Society of Actuaries.

Clarence Tookey, actuarial vice president, Occidental Life Insurance Co. of California, Los Angeles, Calif., and vice president of the Society of Actuaries.

What I have said above merely repeats thoughts which obviously have occurred to you and to other legislators who have bothered to look behind the form of our present social-security laws to their substance. The arguments for a thoroughgoing revision of those laws have been forcibly set forth by Representative CARL CURTIS in his minority report on H. R. 6000.

You have asked for my views on the objectives, personnel and method of study which might be employed by a commission to make a fundamental study of the social security program. The problems that such a commission would have to face would be very broad and I have not had an opportunity to give the matter much thought. However, for what they are worth, here are some views on the subject:

OBJECTIVES

The assignment of this problem to a commission should make it clear that the fundamental objective of the present social security system, namely, the provision of an economic floor of protection for all citizens of the Nation, is to be preserved. However, the Commission should be empowered to explore possible alternative systems for acomplishing this objective. The Commission's work should include the following:

1. It should examine the present system from the standpoint of the ability of the Nation to carry out in the future the promises which the social security legislation makes to our citizens today;

2. It should examine the relationship between the old-age insurance program and the old-age assistance program, with particular reference to the equity or inequity of treatment of citizens in different classes, such as the present aged who are eligible only for old-age assistance benefits, the present aged who are eligible only for some old-age insurance benefits, those who are eligible for either, and those who are not eligible for either one, the self-employed, the worker who shifts from covered employment to uncovered employment, or the reverse, and finally the employed taxpayer in uncovered employment;

3. If the Commission finds the present system to be defective or inadequate it should be authorized to recommend whatever revisions it finds most appropriate.

METHOD AND PERSONNEL

Such a commission should be composed of persons whose training and ability are such that their recommendations can be expected to be satisfactory to all political factions. This is perhaps an ideal which cannot be attained in our present political atmosphere. Nonetheless, the Commission should be composed primarily of persons who will seek and accept facts regardless of whether or not they agree with their preconceived ideas, and who will form independent judgments from those facts. It should contain persons who would command the confidence and the respect of the leaders of both major parties. It should have a staff drawn from sources outside the Social Security Administration but this staff should have the power to call upon staff of the Social Security Administration for any assistance or information.

I assume that any such commission should have representatives from other fields including educators, scientists, businessmen, and labor leaders, perhaps even some economists. You are probably much better equipped than I to suggest names of people in these fields who would be suitable and available.

There is an ever-widening realization of the unsatisfactory character of our present social-security legislation and a commission such as you suggest could be very valuable in hastening the day when the necessary fundamental revisions will be made. If there is anything which I can do to be helpful to you in your efforts to this end, please feel free to call on me.

Sincerely,

WENDELL A. MILLIMAN,
Consulting Actuary.

SOUTHWESTERN LIFE INSURANCE CO.,
Dallas, Tex., May 23, 1950.

The Honorable HARRY P. CAIN,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: I feel greatly honored that you should write to me as you did on the 11th of May. There was some delay in the mailing of your letter because it was not received in Dallas until the 18th.

For your convenience I recite my professional qualifications. I became a fellow of the Faculty of Actuaries of Scotland by examination in the year 1909. I am a past president of the American Institute of Actuaries.

I am very sympathetic to your proposal that the most important subject of social security should be exhaustively investigated by an independent committee. If such a committee is organized I think it would be most appropriate to call upon the president of the Society of Actuaries for recommendation of such members of that society as, in the opinion of the president, are experienced and capable of cooperation on a matter of great national interest.

Personally I am sympathetic to social security. I favor the establishment of social security on a pay-as-you-go basis. I recommend that basis because it will avoid the accumulation of great reservoirs of capital which would inevitably become the target for attack.

It is manifest that without in any way destroying the individnual initiative that has made the United States of America a great country, there is a place for minimum benefits established by the Federal Government. I draw your particular attention to the fact that I say "minimum benefits." We should not be unmindful of the great progress that has taken place in recent years in public health, surgical skill, and medical care. These changes have promoted a vast increase in the expectation of life.

As a result of the great change that has taken place in the expectation of life there is a growing disproportion between retired workers and productive workers. Care should be taken that we do not saddle industry and the productive worker with a burden that many years from now might compel a retreat that would be deeply embarrassing to the Federal Government.

I am indeed sympathetic to your comment on old-age assistance within the several States supported by Federal subsidies.

Sincerely yours,

ARTHUR COBURN,
Vice President.

LIBERTY LIFE AND ACCIDENT ASSOCIATION,
Muskegon, Mich., May 22, 1950.

Hon. HARRY P. CAIN,
The United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I have before me a copy of the letter which you addressed to Mr. C. O. Pauley, managing director, Health and Accident Underwriters Conference, under date of May 15, 1950. As a professional actuary and as a private citizen, I am tremendously pleased to learn of your critically intelligent attitude on the above legislation.

Just as long as we have the present framework of the social-security system under which new promises of increased benefits—always on a deferred basis—we will be drawing closer and closer to ultimate disillusionment under which those have contributed the most will receive the greatest disappointment.

I do wish I knew of some way to express my feelings on this subject more effectively so that as a Nation we would face the problem of care for the aged on a basis that would be economically sound and stable.

Respectfully yours,
W. H. MACCURDY,
Vice President and Secretary.

WEST NEWTON, MASS., *May 15, 1950.*

Senator HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: Thank you very much for your letter of May 12.

There is enclosed herewith a copy of a letter which I wrote to Senators LODGE and SALTONSTALL in regard to H. R. 6000. You will note that my views correspond almost exactly with yours.

There is also enclosed a copy of a letter which I sent to Senators LODGE, SALTONSTALL, and MCCLELLAN as chairman of the Subcommitte on National Legislation of the Massachusetts Medical Society. You will note that this letter concerns itself with the medical aspects of H. R. 6000 and sets out our opposition to a Federal program of permanent total disability compensation.

In regard to a committee to study the problem, I was impressed by General Eisenhower's suggestion made before the New York Herald Tribune Forum that a group of outstanding experts in the field of social and economic problems be convened at Columbia University. While he did not go into detail in regard to the composition of such a group, my own inclination would be to exclude from participation those persons who are intimately associated with the Federal Security Agency and therefore have an ax to grind. You will recall that in the investigations carried on to date employees or former employees of the Federal Security Agency have played a dominant role behind the scenes. Any future investigations should avoid the possibility of this kind of criticism.

If I can be of any further assistance to you, please do not hesitate to get in touch with me.

Cordially,
CHARLES G. HAYDEN, M. D.

Mr. LEHMAN. Mr. President, I should like at this time to speak briefly in general support of H. R. 6000.

There are and will be pending, as the Senate knows, many amendments to the pending social-security measure. Most amendments, I understand, will be directed toward liberalizing the bill reported out by the Senate Finance Committee. I shall be inclined to support most of the amendments directed toward this end. I have introduced and joined with others in sponsoring some of these amendments. I shall speak on them again when they are called up next Thursday.

Before discussing amendments, however, I should like to make clear that in my opinion the Senate Finance Committee has done an outstanding job with this complex and difficult piece of legislation. The committee as a whole has shown a forward-looking attitude toward the problem, and the committee chairman, the senior Senator from Georgia, has earned the thanks and admiration of all of us in this great work which he has directed so skillfully and thoroughly.

The liberalization of the benefits in some categories and the extension of coverage in the Senate bill—while not as wide as I should like to see them—are long steps in the right direction.

It is comforting to realize that in this debate the question is not whether we should have social security. That is now accepted in principle by almost all of us.

It is to be recalled, however, that when the first social-security measures were originally proposed in 1935, violent opposition was offered both in the Congress of the United States and the Legislature of New York State, of which I was Governor at that time. Perhaps some may recall that in the Presidential election of 1936, the party on the other side of the aisle argued that social security was regimentation—that awful word—and that the American people were soon to be required to wear dog tags as a result of having social security numbers. Happily that argument is now gathering dust in the attic of poltical discards.

Today the question is how much social security we should have and can afford and what is the best method for extending social security to as wide a sector of the population as possible. I congratulate those of my colleagues on the other side of the aisle who have come to this advanced position. At this point my argument with them is one of degree and not of kind.

Today I appeal to the Senate to liberalize the present measure—not merely to approve it. Today I speak to my colleagues in behalf not only of a social-security program but of a broadened social-security program—a program broadened beyond even the limits set forth in the Senate bill.

I cannot presume to be the administration spokesmen on this subject, but I think I speak the mind and will of the administration and of the intent of the Democratic platform—certainly of the platform on which I ran last year—when I say that the liberalization of the social-security program is our mandate from the people. That mandate is not only for the pending bill but for the liberalizing amendments which have been introduced.

Amendments which I and other Senators have sponsored would extend coverage to 2,000,000 more people than would be covered under the pending bill. Approximately 1,000,000 of these would be domestics, the group that possibly needs social-security coverage more than any other. One additional million would be agricultural workers.

One liberalizing amendment would increase the average benefit under the OASI program from an over-all average of $49 proposed in the Senate bill to an average of $55. Moreover, it would increase the maximum amount which could be obtained by an individual who has made his contributions for 5 years from the proposed level of $72.50 to a new level of $100—and for an individual who has worked and contributed for 20 years, to a maximum of $114.

In view of our present standard and cost of living, this is not a princely pension. It is only barely enough for a person to live at a self-respecting level and to maintain his health.

I recognize, of course, that the Senate bill is a vast improvement over the present law in this respect. The Senate bill proposes an over-all average benefit of $49 compared to the average of $26 provided under present law. Obviously, the present benefits have no relation to reality. That is best illustrated by the fact that the over-all average public-assistance grant to the needy aged in 1949—the so-called pension to the aged who have made no contributions—was $45, or almost $20 more than is now provided under the insurance system. I want to emphasize that to be eligible for these public-assistance aids, the so-called pensions, the aged individuals involved must pass a means test, must take a pauper's oath.

In many States today, including my own, these public-assistance payments to the needy aged are far higher not only than the benefits now available under the Federal insurance program, but, in some cases, higher even than those now proposed under the Senate bill. This disparity between a system based on insurance savings and a system based on outright grants to the needy must be wiped out. The emphasis must be transferred to the insurance system. The insurance system must be made more attractive than public assistance to the needy.

Even the average $49 pension proposed by the Senate bill is woefully inadequate, and lacks the essential element of recognition of the length of time during which the individual has contributed, and also fails to accept as a base for taxation a sufficiently high wage level. It does not recognize the fact that the monetary wage level of our working population has doubled in the past 10 years. The liberalizing amendments which will be proposed on the floor take cognizance of these real changes in the national situation.

Another vital liberalizing amendment would provide disability insurance on the same principle as that approved by the House. This provision might be expected to add approximately 500,000 people to the pension rolls by 1960. The average pension would be about $50 per month—certainly not an overgenerous amount. Still other liberalizing amendments would increase Federal grants for special assistance; yet other amendments would extend public assistance to Puerto Rico and the Virgin Islands, and thus honor our commitments to the people of those dependent Territories.

One further amendment would help finance more adequate medical care for the needy. The Advisory Council on Social Security recommended such a provision.

I know that there are some who will say that these measures are impractical or that they are luxuries which we cannot afford. My answer is simple: These are not luxuries but investments in the security and welfare of our people. These investments will earn for our Nation a liberal return in increased contentment and increased productivity.

This, I take it, is the object of the social-security program.

The able and scholarly senior Senator from Ohio may say that with these liberalizing amendments, we are providing for increased payments out of the social-

security fund while making no provisions for increased payments into the social-security fund.

It is estimated that if all the amendments I have referred to are adopted, the increased cost to the fund over the projected period, which means until the year 2000, will be approximately 1½ percent of payroll.

I wish to say that in my judgment, after studying the experience of the past many years, I am convinced that a dynamic and expanding economy, and our steadily rising wage pattern will provide the increased collections which the increased expenditures will require. That has been our experience in the past; I am sure that will be our experience in the future. In my judgment there is no reason to increase the present schedule of social-security taxes beyond that already provided. If the need should arise, however, I would be perfectly willing to increase the tax schedule when that time comes.

At this point I should like to take a quick look backward and examine for a moment just what it is we are talking about when we talk about social security.

It might be worth while to recall that the quest for security is one of the most ancient in the history of mankind. Security against aggression and security against the natural hazards of life, of sickness, of old age, of drought, and of famine have been sought by men in various ways since the first dawn of time. As soon as people first developed the art of communal living, they took their first steps toward social security in its broadest sense.

External aggression being the greatest threat to security in ancient days, towns were built with great walls for purposes of security, armies and navies were assembled for security, constabularies and police departments were organized for security. In organizing these measures for security, the whole people were taxed in order to provide security for those who required it.

Later, when the need for financial security and health security gained recognition along with the need for security from theft and aggression, banks, insurance companies, and hospitals were organized for the security of individuals and of groups of individuals. The demand for security is neither new nor revolutionary. It is as old as man himself.

The fact that the present emphasis is on governmentally provided security against the hazards of sickness, unemployment, and old age merely recognizes the increasing complexity of society and the advancing status of our concept of social obligations. We now recognize that human life, itself, is a precious national resource. We realize that the conservation of that resource against the extraordinary hazards of twentieth-century existence is an essential function of government and is, indeed—as I have said—an investment in the material welfare of the Nation.

Today we all accept this fact, although some may not publicly acknowledge it. Political conservatives as well as liberals have certainly reached agreement on the desirability of social security. It has passed out of the realm of political controversy. Of course, there are still some few exceptions. There are some individuals who would, if they could, turn back the clock to another age. I doubt whether this point of view has any significant representation in this body.

Today we discuss the extent of social security, the exact amount of the benefits, and the specific groups which can be covered, and how to guarantee that the money will be available in the future when the swelling fraction of our population over the age of 65 reaches such proportions that the aged would be an unmanageable burden on the revenue resources of the Nation, unless provided for in an insurance system such as this.

By 1990, the percentage of our population over 65 it is estimated will be 13.2 percent, and the liabilities of the old-age trust fund will be of such a magnitude—and constantly growing—that unless some reserves are built up now, the national economy may have a liability which cannot be practicably met out of budgetary appropriations.

That is the reason for this insurance system, rather than for a straight universal pension system supported entirely by current Government revenues. I would like to see our old-age system enlarged now, and all the 11,500,000 of our aged covered under the system. I favor universal old-age coverage. This must and will be soon provided. That will be our next step.

Meanwhile, however, I think our public assistance grants should be liberalized, but the insurance system should keep pace, in order that benefits based on earnings and contributions may in the not too distant future replace public assistance grants altogether.

These are general goals. These are problems to be worked out. We must beware, however, of those who would call a halt to the insurance system, and to improvements in it, pending another study. Studies designed to delay action rather than to enlighten action are the most deadly device in the arsenal of the opponents of progress.

We debate today on the amount and kind of public assistance to extend through grants in aid to States and to Territories for their welfare activities for children, for the needy aged, and for the health of the people.

All these programs are part of the pattern of the welfare state. I need not tell my colleagues in the Senate that I am for the welfare state. The people, too, are for the welfare state. But some of my colleagues are inclined to confuse the concept of the welfare state with the conflict over Federal-State authority. They are afraid of federalization and say that they favor welfare activities by government, but only by State governments and not by the Federal Government.

I shall not enter into this argument today. But I want to point out that in the field of social security, the Federal Government, under the general welfare clause of the Constitution, has a mandate to serve the people. If this can best be done by direct Federal action, it must be so done. If it can best be done through the States, that should be done. But to block action by insisting that the Federal Government may not provide for the general welfare in the field of social security because this is properly a State function is to deny our essential responsibilities and to fail the people in their basic needs.

While we weigh and debate the best method of accomplishing what we seek, we must remember that we are one Nation, indivisible, with liberty and justice for all. That is what we say in our Pledge of Allegiance. That is what we must justify by action on the pending bill, and on the pending amendments to liberalize that bill.

Mr. BUTLER. Mr. President, there has come to my attention in recent years a deeply disturbing observation. People are saying that we are so far along the road to statism that we cannot possibly turn back, and so we might as well make the best of it. This, of course, is the most malicious nonsense.

If we are on the wrong road—and statism is the antithesis of democracy—then we must reorient ourselves. But we do not have to waste time going back. Far better, we can cut a new trail across country until we reach the right road off which we wandered.

Mr. President, it is because I sincerely believe that the road we are traveling in regard to social security is leading us away from American ideals and toward ultimate national insecurity and disaster, that I am voting against H. R. 6000.

However, I do not advocate standing still, much less going back. On the contrary.

I am offering you a new concrete proposal for a pay-as-you-go, full coverage social-security program which would give more protection to more Americans than H. R. 6000 and spell security rather than insecurity for our national economy.

The bad features of our present Social Security Act—and H. R. 6000 would in the main simply multiply them—these bad features fall into two broad categories: First, inhumanities, injustices, and undemocratic discriminations; and second, economic unsoundness.

So-called social security has been with us now for 15 years. Back in 1935, weary and discouraged from depression, many believed the promises then made by President Roosevelt that the magic formula of contributory, deferred-payment, social insurance would free us from the fear of poverty in old age. The Nation did not examine carefully who was in and who was out—but passed the Social Security Act confident that, by virtue of compulsory contributions, it was purchasing, in a dignified manner, adequate retirement pensions. There would be no more poorhouses; no more public charity; no more of the humiliation and grief of the means test.

Now, after 15 years, what do we find?

Out of our 11,500,000 men and women over 65, only around 2,000,000 are receiving OASI benefits as a right; and of these, 250,000 are forced to undergo the means test to qualify for supplementary local public assistance because their

OASI benefits are insufficient. Two million seven hundred thousand who have not qualified for OASI—although many of them may have several years of contributions—are on public assistance with all the indignity that that implies. And over 6,500,000, not qualified for OASI and too proud to apply for assistance, receive neither the one nor the other. Many of them may be as worthy as those selected for the former and as needy as those subjected to the latter. In addition, according to the Bureau of the Census, the largest single group of these 6,500,000 forgotten old folks are widows who are not working and whose incomes range from $1,000 all the way down to zero.

In short, after 15 years, out of some 11,500,000 men and women over 65, we have only around 2,000,000 receiving insurance benefits and the rest—over 9,000,000—receiving public assistance or nothing.

Is this security or is it sand in our eyes?

Certainly it is not what we bargained for; it is not what the people of this country want; and it is not what they expect Congress to give them. If the honest people of America really understood the restrictions and discriminations implicit in H. R. 6000 and there would be a referendum on the subject, I feel sure they would vote, as I will, against it.

H. R. 6000 discriminates against the present 9,500,000 OASI-excluded aged who cannot be brought in under the employee insurance formula.

My program, on the other hand, awards them immediate protection.

H. R. 6000 discriminates against all OASI ineligibles. To them it says: "If you are in need, declare yourself a pauper, prove you have no assets, no close relatives who might be made to support you. Open your books. Let a paid social worker snoop around and look under the rug to see that you have nothing hidden. Then as a public ward you will be sent a check made up partly of State and local taxes, partly of Federal taxes. But if you should have the luck to earn a few dollars, you will be cut off and run the risk of losing your place on the list."

My program wipes out the pauper's test forever and guarantees recipients the dignity of a pension. Under my program no social worker will darken their doors.

H. R. 6000 discriminates shamelessly against those unlucky OASI contributors who fall a fraction of a quarter short of insured status. As of January 1, 1950, for the 80,400,000 men and women who had contributed to OASI since the beginning only 43,700,000 had fully insured status. It is true that H. R. 6000 would extend eligibility to a few hundred thousand of the present aged, former OASI contributors—but only a few. Even so, for the future, H. R. 6000 still would cut people off from benefits entirely if catastrophe struck and if they missed their required number of quarters. In other words, the social-security system would remain a lottery system under this bill.

My program is free of all such capricious juggling of formulas and funds. Under my program the only qualifications are age and state of income.

H. R. 6000 would discourage elderly individuals from working, and so would reduce over-all production. Even under the new amendments if a man should earn $51 a month or more he would be cut off from all benefits. At the same time, he would be permitted as much unearned income as he pleased, without reducing his benefits by a single dollar.

My program puts no premium on idleness. Under my program a man can continue to work without being cut off from his pension entirely.

H. R. 6000 would exclude from OASI privileges some fifteen to twenty million of the gainfully employed—among whom are those most likely to be in need, such as marginal workers in domestic service, migratory farm labor, share croppers, and so forth.

My program would cover every American citizen.

H. R. 6000 would hand windfalls to retired bank presidents, and would supply less than enough to live on to old folks in the lower wage brackets. Although benefits would be increased between 85 and 110 percent, the poor fellow now drawing an OASI benefit of $10 a month would have that benefit increased only to $20—still not enough to meet the increased cost of groceries.

My program would leave no aged American with an inadequate income.

Under H. R. 6000, it would be possible for a man of 65 to qualify for benefits at the bottom of the ladder, with 6 quarters and a total contribution of $4.50. For this $4.50, if he retired immediately after his 6 quarters he would receive a primary benefit of $20 a month for the rest of his days. If his wife were the same age, with the usual life expectancy of 13 years for him and 15 for her, they would net for that original $4.50 investment. $4,826. However, a 65-year-old man earning $3,000 or over, would do even better. Under the same set of circumstances, he and his wife might expect to receive $17,373 worth of handouts from Uncle Sam—quite a nice prize. These figures that I have quoted are conservative estimates; and under particular circumstances, such as when there are a greater number of dependents and more years of life, the windfalls would come much higher.

What a contrast between this situation and that of the aged widow who receives absolutely nothing because her deceased husband barely missed acquiring sufficient quarters of coverage.

My program holds no such unjust, undemocratic, un-American distinction.

Now let us consider the economic aspects of H. R. 6000.

In the first place, OASI is not an insurance at all in the actuarial sense. This is readily understandable when a comparison is made between the total contributions and the windfall benefits of persons retiring during the first 20 years. Even with the rising payroll tax rate during the maturing years of the system, benefits far outstrip what the employee's contribution of tax would purchase actuarially. This means that other people must pay the actuarial margin of error. Not only is the employers' part of the tax passed on to the consumers in the form of higher prices, but the forfeitures of some contributors add to the windfall of others.

In addition, there is the question of what happens to the payroll taxes collected. Obviously the money cannot be kept safe and sound in a sack. It must, under law, be invested in Government obligations. The Government promptly spends the money, pays interest to itself from the taxpayers' pockets on the slips of paper in the Treasury and then, when these old-age and survivor insurance I O U's fall due, must either float new bond issues or tax the people again to get the cash to pay benefits.

But by far the most dangerous element in the economics of H. R. 6000 is to be found in the rising costs of the dual old-age and survivors' insurance—public-assistance system. OASI deferred payments increase precipitously as greater numbers retire on a high-benefit scale. If past performance is any indication of future trends, political pressures would continue to multiply the millions of Federal grants-in-aid for State and local public assistance.

Dr. H. G. Moulton, president of the Brookings Institution, in his preface to Cost and Financing of Social Security, by Lewis Meriam and Karl T. Schlotterbeck, declares:

> The old-age and survivors' insurance system in its present form involves constantly mounting costs over a 50-year period. Great confusion has been engendered in the public mind because of the assumption that these costs can be gradually provided for through the application of ordinary insurance principles. That is, it is widely believed that the social-security taxes now being paid furnish the resources from which the future benefits will be paid. The fact is that a practically universal governmental system cannot successfully apply the actuarial legal reserve devices of private, voluntary insurance systems. As the present system operates, no real reserve funds with which to meet future requirements are accumulated. The benefits will have to be paid out of future taxes.
>
> The future demands upon the Government for benefit payments—to be paid out of future taxes—will be so great that it appears to us essential that they be given full consideration now before the commitments are made. The demand for cash for benefits must be studied in the light of other governmental cash requirements for national defense, foreign relations, veterans benefits, interest on the public debt, and all other activities of Government.

The authors conclude with a recommendation for a true pay-as-you-go system under which persons now in need will have those needs met from current revenues.

Mr. President, during more than 3 months of public hearings and many weeks of executive session, the Senate Finance Committee labored to report Social Security Act amendments that would be fair and just to all Americans. However, we found that it was impossible to devise an OASI formula to make the present aged eligible for benefits or to cover those most likely to be in need—such as marginal domestics, migratory farm labor, and share croppers.

I strongly suspect that the majority of the Finance Committee is not only unhappy concerning the conglomerate amendments which have emerged, but, for reasons of justice and considerations of economy, would favor an honest pay-

as-you-go social-security system. This is proven by the proposed committee resolution to set up a subcommittee specifically instructed to study pay-as-you-go systems.

During the hearings it became apparent that the opponents of the present system and of H. R. 6000 fall into three principal groups: First, those who would like to see a pay-as-you-go plan adopted, but who cling to the idea of contributions; second, those who wanted a pay-as-you-go, low, flat-rate floor of protection for all citizens without a means test; and third, those who believed, with the Brookings Institution, in pay-as-you-go protection for the aged, but on the basis of some kind of a means test, as the only system economically sound.

The proposal which I am about to outline is an attempt to incorporate in one universal-eligibility, pay-as-you-go social-security program the best features of these various points of view. That is: First, equal protection for all, under the law; second, freedom from the means test; third, universal contributions; and fourth, economic soundness: pay-as-you-go, go-as-you-pay, on an income-tax, income-supplement basis, for all aged persons and dependent children whose income or means of support drop below a given minimum.

In a nutshell, my program is a universal contributory social-security system, in the sense that everyone with income would pay a special, earmarked income tax to support it; and thus, at some period of his life every individual would be consciously contributing to his own future security.

It is pay as you go, in the sense that the receipts for any particular year would be roughly the amount necessary to pay the benefits for that year.

It is go as you pay, in the sense that we would be doing for the old people today exactly what we expect the young people of tomorrow to do for those past 65 in their time.

Here is the plan: Every American citizen, aged 65 and over, will be entitled to an individual citizen's pension under the following conditions:

Every American man or woman aged 65 or over, whose income for the year ahead on the estimated income declarations currently used for income-tax purposes, amounts to a figure under $600, will receive a citizen's pension of $50 a month, or $600 a year—that is, $100 a month for a man and his wife, both 65 or over.

Every American man or woman whose income amounts to $600 or over will receive a citizen's pension of $1 a month less for every $50 more of annual income. In other words, if his or her income amounts to between $600 and $650, he or she will receive a citizen's pension of $49 a month or $588 a year. If his or her income is between $650 and $700, he or she will receive a citizen's pension of $48 a month or $576 annually. And so on. The pension tapers off to zero at around $3,000, although the repeal of the present $600 special income-tax exemption for persons over 65 will not make it worth while to apply for pension after the $2,450 level. If this income changes during the course of the year, the pension rate also will be changed.

In principle, the same system will apply to dependent children. That is, inadequacies in means of support will be made up in benefits on a graduated scale.

As to financing, although, on pay as you go, the special old-age and dependent children's tax rate will be determined by the current outgo, and vice versa, it is thought that to support the pension schedule indicated, the initial tax will be about 5 percent of the first $3,000 of individual income. However, this 5 percent will not be a net increase in taxes for the following reasons: First, the existing OASIS payroll tax will be repealed; second, the greater part of the present local taxes required to support the State public-assistance programs will be unnecessary; third, a reduction of about 2½ percent in the regular income-tax rates on the first $3,000 of individual income will probably be effected, in recognition of the fact that the new system will relieve the Federal Government of substantially over a billion dollars a year in grants-in-aid to States for public assistance. At the same time, it might prove wise to abolish the existing $600 personal income-tax exemption for individuals 65 and over.

The advantages of this program, like the disadvantages of H. R. 6000, fall into two primary categories: First, social, and, second, economic.

Taking the economic advantages first: My proposal would mean tremendous savings in costs over the committee bill. I have been supplied with a preliminary cost study on my proposal by Mr. George Immerwahr, former chief actuary for old-age and survivors insurance, a distinguished authority in this field. The concluding sentence of his memorandum is as follows:

> When allowance is made for these further savings, it seems conservative to state that the adoption of this proposal in lieu of H. R. 6000 would produce an ultimate saving of $5,000,000,000 a year.

Instead of the gigantic, pyramiding costs of H. R. 6000, which may either bankrupt the taxpayer or destroy the value of the dollar in the years to come, my proposal provides a system well within the ability of the taxpayer to carry.

I am inserting Mr. Immerwahr's brief memorandum in the RECORD at the conclusion of my remarks.

Let me mention now the advantages of my proposal from the standpoint of the individual American, groups of Americans, and the Nation as a whole:

My proposal matches the equal opportunity of our American way of life with equal protection against loss of income in old age. It plays no favorite, offers no special privileges. It is just, nondiscriminatory, thoroughly American.

It assures every American, the richest as well as the poorest that if catastrophe strikes, he or she will be adequately provided for in old age. At the same time it puts the burden of responsibility on the individual to work and to save for his own old age and for his survivors.

It also makes the individual over 65 responsible for making an honest declaration of his income for the year ahead—just as now he is expected to make an honest income-tax return—and upon this declaration his citizen's pension is based. No investigation is anticipated beyond the usual Treasury sample check for fraud.

It frees every American from the fear of ever having to submit to the indignity of the means test in the event of income loss in old age. No one's neighbor will have to know whether Joe Doakes and his wife are receiving citizen's pensions—any more than the neighbors know the amount of income tax Joe Doakes now pays.

My proposal to abolish the means test will have a direct, immediate appeal for the approximately 3,000,000 present public-assistance recipients—not to mention any who might have to undergo the test in the foreseeable future.

My proposal to bring in the present aged will affect 6,500,000 persons, in addition to those 3,000,000 now on assistance.

My proposal for universal eligibility will affect 15 to 20 million farmers, sharecroppers, migratory farm labor, and marginal domestic servants.

My proposal to pay pensions on a graduated, income-loss basis will give more in pensions to greater numbers.

Organized labor will gain right down the line. It is true my proposal will reduce the over-all pensions of those few retired workers who hold a 25-year record of service with companies having no offset clause in their collective-bargaining pension contracts. However, it will give more to the vast majority of workers who are employed by small business and who change jobs every few years.

Farmers will approve my proposal as a guaranty of their traditional independence rather than in any way interfering with it. Rural areas generally will be emancipated from the oppression of public assistance.

State Governments will be relieved of a large share of their present financial outlay for public assistance. State funds will be freed for other necessary local developments, or for tax reduction.

The advantages of my program for the individual American, for important groups of Americans, and for the country as a whole, it seems to me, Mr. President, add up to an impressive total.

The 3,000,000 present aged on public assistance, the 6,500,000 present aged on neither OASI nor public assistance, plus the fifteen to twenty million of the gainfully employed who would remain uncovered by House bill 6000 amount to more than 25,000,000 Americans who will be benefited immediately by the adoption of my program.

Add to this the advantage to be won by the members of organized labor and by the farm population on top of the financial relief to State treasuries, and whom have we left against it? Those OASI contributors who might—but then might not—land a windfall. They are the only ones who would lose.

Mr. President, I am well aware that the change-over from one type of old-age security system to another will re-

quire the talents, time, and services of men of the caliber of the Hoover Commission.

Such a commission, for instance, will have to determine what do with the present OASI fund. It might be refunded to former contributors with interests in the form of bonds. It might be used for operations during the first year of the new system. It might also be held intact as an interest-bearing investment to cushion recession periods when incomes drop and appreciably more old people receive pensions.

Mr. President, to give the time and opportunity for such careful study as the committee already has recommended—to work out details of my proposal and to analyze and incorporate the best features of sundry other pay-as-you-go proposals, I am introducing as an amendment to House bill 6000, a stopgap measure of 2 years' duration.

This stopgap measure goes exactly as far as House bill 6000 in liberalizing eligibility requirements for the present aged. It increases benefits from the present $10 a month minimum to $25 minimum with a maximum of $50. Thus it goes further than House bill 6000 for the lowest benefit groups and, during the interim period, meets the demand of the increased cost of living for all present beneficiaries.

My amendment strikes out all of House bill 6000 after the enacting clause except the portion relating to the unemployment fund. However, if any titles thus struck out, such as "Aid to Dependent Children" and "Aid to the Needy Blind," should be considered necessary during the interim 2-year period of my bill, I shall be the first to ask that the difficulties be ironed out in conference.

If I might stress one final point: This stopgap bill of mine meets the real, immediate need as well as House bill 6000 is supposed to meet it. It takes care of the urgent requirements—the injustices resulting from the fall in the purchasing power of the dollar; and it matches House bill 6000 in correcting certain eligibility inequities.

I know that many Members of Congress promised their constituents to provide more liberally for the aged by broadening social security.

This stopgap measure of mine goes as far as does House bill 6000 in providing immediate relief. My proposal for a universal-eligibility pay-as-you-go system provides more protection for more Americans on a more equitable, more democratic basis.

A vote for House bill 6000 would be a vote to multiply and perpetuate the injustices of our present system, for after the windfalls are once increased it would be many years before it would be possible to make constructive changes. A vote for House bill 6000 would also be a vote against the 9,500,000 old folks of today and the fifteen to twenty million of the gainfully employed who will never be eligible for benefits under this bill.

A vote for my stopgap measure is a way to make good on our promises—to offer hope to 25,000,000 more Americans.

Mr. President, I offer my full-eligibility, pay-as-you-go social-security program as an indication of the way to reach the American road, and I ask support from my colleagues on both sides of the aisle for my stopgap measure to give us the time necessary to reach that road.

Mr. President, in conclusion, I should like to insert in the RECORD at this point in my remarks a comparison of costs of the Butler proposal with those of House bill 6000.

There being no objection, the comparison of costs was ordered to be printed in the RECORD, as follows:

A COMPARISON OF COSTS OF THE BUTLER PROPOSAL WITH THOSE OF H. R. 6000

The proposal to pay a general benefit of $50 a month to all persons over 65 without a needs test, the benefit amount to be reduced or eliminated for persons who (according to their income tax returns) are in the higher income brackets (and to be made subject to offset for various other Federal pensions) has a distinctly higher cost than H. R. 6000 in the immediate years but results in an ultimate cost saving. The following table shows the estimated benefit costs of the proposal as compared with those of H. R. 6000, using for both the intermediate-cost assumptions used in the committee report on H. R. 6000. Use was also made of data re income of the aged, released by the Census Bureau, and appropriately adjusted to fit in with the conditions of the proposal. In the table, the proposal is extended to provide $35 benefits for orphan children.

[Money figures in billions]

Year	Gross benefit costs under Butler proposal			Corresponding benefit costs under H. R. 6000		
	Old age	Children	Total	Old age	All other	Total
1951	$4.6	$0.5	$5.1	$1.6	$0.5	$2.1
1955	5.1	.5	5.6	2.1	.6	2.7
1960	5.7	.5	6.2	3.0	.7	3.7
1980	7.2	.5	7.7	6.9	.8	7.7
2000	8.4	.5	8.9	10.0	.9	10.9

The above comparison is only partial, as it fails to take account of the Federal cost savings resulting from the elimination of Federal grants for OAA (old-age assistance) and ADC (aid to dependent children) and also of the fact that the administrative costs under H. R. 6000 would be largely eliminated under the proposal. The following table shows the net change in Federal costs when allowance is made for these factors.

[Money figures in billions]

Year	Increase of cost due to benefit payments only	Decrease in cost due to saving in administrative expenses	Decrease in Federal cost due to elimination of OAA and ADC	Net change in Federal cost
1951	$3.0	(1)	$1.1	+$1.9
1955	2.9	(1)	1.3	+1.6
1960	2.5	$0.1	1.4	+1.0
1980	----------	.1	1.2	−1.3
2000	−2.0	.2	1.0	−3.2

[1] Less than $50,000,000.

But even this latter table does not tell the full story. It fails to show the various Federal tax gains under this proposal, such as that resulting from the taxability of benefits and the denial of the double exemption to those older people who accept the benefits. It fails to show the savings to the States, whose assistance costs, though not eliminated like those of the Federal Government, will be at least reduced. Most important of all, it does not take account of the large savings that will result from the avoidance of overliberalization of Federal benefits far beyond the level of H. R. 6000, an overliberalization which is inevitable when we operate under a deferred-benefit system like that of H. R. 6000, with which it is so easy to yield to political pressures for benefit liberalization, since the structure of the system conceals its real costs.

When allowance is made for these further savings, it seems conservative to state that the adoption of this proposal in lieu of H. R. 6000 would produce an ultimate saving of $5,000,000,000 a year.

GEORGE E. IMMERWAHR,
Former Chief Actuary for Old-Age and Survivors' Insurance, Social Security Administration.

The PRESIDING OFFICER. The question is on the adoption of the amendment of the Senator from Illinois [Mr. LUCAS] to the committee amendment.

RECESS TO MONDAY

Mr. ELLENDER. Mr. President, I move that the Senate now stand in recess until Monday next at 12 o'clock noon.

The motion was agreed to; and (at 4 o'clock and 53 minutes p. m.) the Senate took a recess until Monday, June 19, 1950, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate June 16 (legislative day of June 7), 1950:

FOREIGN ASSISTANCE ADMINISTRATION

Milton Katz, of Massachusetts, to be the United States special representative in Europe, with the rank of Ambassador Extraordinary and Plenipotentiary, pursuant to title I of the Foreign Assistance Act of 1948.

The following-named persons to be members of the Board of Directors of the Export-Import Bank of Washington for terms of 5 years expiring June 30, 1955 (reappointments):

Hawthorne Arey, of Nebraska.
Herbert E. Gaston, of New York.
Clarence E. Gauss, of Connecticut.
Lynn U. Stambaugh, of North Dakota.

IN THE AIR FORCE

The following-named person for appointment in the United States Air Force in the grade indicated, with date of rank to be determined by the Secretary of the Air Force, under the provisions of section 506, Public Law 381, Eightieth Congress (Officer Personnel Act of 1947):

To be second lieutenant

Andrew J. Myers, Jr., AO900043.

IN THE COAST GUARD

The following officer of the United States Coast Guard Reserve to be a lieutenant (junior grade) in the United States Coast Guard:

James G. Norman

POSTMASTERS

The following-named persons to be postmasters:

ALABAMA

William T. Boyd, Gadsden, Ala., in place of W. M. Thompson, deceased.

Lester A. Tucker, Sumiton, Ala., in place of E. M. Fowler, removed.

ARIZONA

Blanch T. Kelley, Thatcher, Ariz., in place of C. H. Layton, resigned.

ARKANSAS

Carroll T. Gambill, Eudora, Ark., in place of R. C. Grubbs, transferred.

Clifford C. Fry, Gravette, Ark., in place of F. H. Milburn, transferred.