ECONOMIC SECURITY ACT

THURSDAY, JANUARY 24, 1935

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

The"committee met, pursuant to call, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, Barkley, Connally, Gore, Costigan, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Keyes, La Follette, Hastings, and Capper.

The CHAIRMAN. All right Mr. Witte, we will proceed.

STATEMENT OF EDWIN E. WITTE, EXECUTIVE DIRECTOR COMMITTEE ON ECONOMIC SECURITY-Resumed

Mr. WITTE. With reference to the matter that was discussed yesterday, the matter of standards and administrative control over the standards, I would like to say that that, of course, is entirely a matter for legislative determination. There are three courses of action that are possible. One course of action is simply to strike out section 7, which would leave the standards prescribed but would not vest in any administrative officer the power to stop allotments after they had been set up.

Another pos°ibility is the establishment of minimum standards directly in the law. If you prefer, you can substitute for the present provision

The CHAIRMAN. That is section 4?

Mr. WITTE. Section 3 and paragraph (3) of subsection (e) of section 4. The provision is that the State law must provide for payment of a pension "assuring a reasonable subsistence compatible with decency and health." You can substitute for that, if you see fit, a minimum standard.

The third possibility is the one which appeared to our Committee the most advisable, vesting in some administrative official of the Government the authority to determine whether the standard now in the bill is being observed. That appealed to the Committee as being the course which would create the least difficulty because it would permit of adjustments for all portions of the country. It has not been the thought of the Committee on Economic Security that a $40 minimum, for instance, is a proper standard in every portion of the country.

The CHAIRMAN. Where do you get this $40 minimum? It is fixed pretty well in here at $30 minimum, isn't it?

Mr. WITTE. I think that statement came from certain testimony of Senator Wagner.

The CHAIRMAN. Well, Senator Wagner was merely expressing his own opinion, that he was willing to go on with $40.

Mr. WITTE. And $40 is probably the minimum in New York City, but it is quite a different thing in a remote rural section.

The CHAIRMAN. Well, he stated that in his testimony.

Mr. WITTE. If the provision is left flexible rather than definite it seemed to our committee that this afforded the best opportunity to meet the varying conditions throughout the country. If you prefer to write into the law a minimum of $30 or a minimum of $40, or any other amount, that is within your authority. It seemed to us, however, that under all of the differing circumstances presented in this great country of ours that the most feasible policy would be to vest some discretion in an administrative official. That is entirely for your determination.

Senator GORE. Mr. Witte, do you think in a country like this, where equality is a tenet of our liberal creed, that you can, in the long run, establish and maintain an inequality of that sort between the city and the country?

Mr. WITTE. I think, Senator, there is equality here. The equality is"that in the rural district as well as in the industrial communities the allowances must be sufficient, with other income, to provide "a reasonable subsistence compatible with decency and health." That is equality.

Senator GORE. Here is what I am getting at. That is one standard, and it is not a bad definition either, but suppose the people in the country are not satisfied with it and they get on the backs of their Congressmen and Senators and say, "I am just as good as the `fellows' in New York City; I have paid taxes in my time. " Do you think the members in Congress are going to vote to maintain an inequality of that sort against the terrific pressure on the part of those who feel they are discriminated against?

Mr. WITTE. That is one reason, Senator, why the limit of what the Federal Government will pay is specified in this bill as $15 a case; that equalizes the Federal grants between the city and country.

Senator GORE. You do not expect that limit to last 5 years, do you?

Mr. WITTE. That will be up to Congress.

Sneator GORE. Absolutely. Pressure will make them raise that. This pressure is irresistible.

Mr. WITTE. Whether you write the definite amount in or write a more flexible standard, it seems to me you would have the same pressure, Senator.

The CHAIRMAN. Of course you and your associates have discussed this a good deal, I suppose, and have considered the proposition of whether or not the States would put up an equal amount for old-age pensions as is put up by the Government, the Federal Government, under such laws as may be passed by each State up to $15 a person. You considered that, did you, just leaving it that way without putting a definition in such as you have here, "a reasonable subsistence compatible with decency and health"?

Mr. WITTE. Writing no other standard than that the Federal Government will match the States?

The CHAIRMAN. And leave that entirely to the States as to what amount they are going to pay and the Federal Government pay up to $15. Of course there is no limitation as to the amount the States might give to any old-age pension.

TABLE *III. Amount of Federal subsidy to State old-age-pension plans without a contributory system*

[Estimate of the consulting actuaries of the Committee on Economic Security, assuming: (1) Dependency ratio of 15 percent in 1936, increasing to 20 percent in 1937, 25 percent in 1938, 30 percent in 1939, 33 percent in 1940, and thereafter, by 1 percent increments, to maximum of 50 percent in 1957 and subsequent years; (2) average total grant of $25 per month from State and Federal Governments combined; (3) Federal subsidy of one-half of total costs, excluding that portion of individual grants in excess of $30 per month and that portion of administration expenses in excess of 10 percent of total pension payments]

Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy ($1,000,000)	Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy ($1,000,000)
1936	897	136.6	1955	5,844	889.7
1937	1,307	199.0	1960	6,801	1,035.5
1038	1,765	268.7	1965	7,169	1,091.5
1939	2,287	348.2	1970	7,533	1,146.9
1940	2,746	418.1	1975	8,007	1,219.1
1945	3,631	552.8	1980	8,501	1,294.3
1950	4,675	711.8			

TABLE *IV.-Amount of Federal subsidy to State old-age-pension plans, with contributory annuity system also in operation*

[Estimates of the consulting actuaries of the Committee on Economic Security, Assuming: (1) Contributory old-age-insurance plan in effect; (2) dependency ratio of 15 percent in 1936, increasing to 20 percent in 1937, 25 percent in 1938, 30 percent in 1939, 33 percent in 1940, and thereafter, by 1 percent increments, to maximum of 50 percent in 1957 and subsequent years; (3) average total grant of $25 per month from State and Federal Governments combined; (4) Federal subsidy of one-half of total costs, excluding that portion of individual grants in excess of $30 per month and that portion of administration expenses in excess of 10 percent of total pension payments]

Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy ($1,000,000)	Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy ($1,000,000)
1936	897	136.6	1955	3,752	571.3
1937	1,307	199.0	1960	3,777	575.0
1938	1,765	268.7	1965	3,496	532.2
1939	2,287	348.2	1970	3,377	514.1
1940	2,746	418.1	1975	3,344	509.1
1945	3,205	487.9	1980	3,308	503.6
1950	3,525	536.7			

Senator GORE. What do you base that assumption on? Is it on information that you received from the several States?

Mr. WITTE. No; it is the actuaries' estimate of what would be the maximum cost. It is not what our committee believes will be the actual cost.

Senator GORE. Yes.

Mr. WITTE. On the assumption that every State will have a law in operation July 1, 1935, and that all people now dependent would qualify from the first day on-which, I think you appreciate and the actuaries themselves stated, is an over-estimate, because it does not take into account what they call the practical lag-on that assumption, and assuming that in the first year 15 percent of all the people over 65 years of age will qualify

Senator GORE. Fifteen percent?

Mr. WITTE. Fifteen percent.

Senator GORE. Yes, Sir.

Mr. WITTE. And that the pensions will average $25 per person-which is also an estimate in excess of anything that is likely, at least in the first years of the act as the actual average has been $19 a

Mr. WITTE. As I stated, Senator that is one of three courses that is open. It seemed to us more desirable to write a flexible standard, but that is entirely for your judgment.

On this first title the only other matter I think I have not dealt with, unless the Senators have questions, is the matter of cost. I have four tables that I would like to submit at this point as a part of the record, if I might. These are estimates of the cost of a Federal subsidy for old-age assistance, provided for in title 1, and two sets of estimates, one prepared by the staff of our committee, first on the basis of the cost if you do not establish a contributory annuity system simultaneously or practically simultaneously, and the other an estimate of what will be the cost of these pensions in the years to come with a contributory annuity system. Second, I have estimates by our consulting actuaries giving the same data. The consulting actuaries' figures are considerably higher and take into account the probable tendency for the pensions to increase in the course of time. These tables give the best estimates that we can get on the probable cost in the future. They are maximum estimates of cost computed by our consulting actuaries, on the assumption that every State in the Union will have an old-age pension law in operation by the time this appropriation takes effect, which is July 1, 1935.

(The documents referred to are as follows:)

TABLE *I.-Amount of Federal subsidy to State old-age pension plans, without a contributory system*

[Estimate of the staff of the Committee on Economic Security, assuming (1) dependency ratio of 15 percent in 1936, increasing thereafter to maximum of 40 percent in 1961 and subsequent years; (2) average yearly grant of $20 per month; (3) Federal subsidy of one-half total payments, and one-half administrative costs]

Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy ($1,000,000)	oar	Number receiving old-age grants (1,000)	Amount of Federal subsidy ($1,000,000)
1936	897	1 72.2	1955	4,140	521.6
1937	1,046	131.8	1960	5,304	668.3
1938	1,200	151.2	1965	5,735	722.7
1939	1,372	172.8	1970	6,026	759.3
1040	1,580	199.1	1975	6,405	807.0
1945	2,293	289.0	1980	6,800	856.8
1950	3,153	397.3			

1 Full-year cost reduced for administration lag.

TABLE ***11.-Amount of Federal subsidy to State old-age pension plans, with contributory annuity system also in operation***

[Estimates of the staff of the Committee on Economic Security, assuming (1) dependency ratio of 15 percent in 1936, increasing thereafter to maximum of 40 percent in 1961 and subsequent years; (2) average yearly grant of $20 per month; (3) Federal subsidy of one-half total payments, and one-half of administrative costs]

Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy ($1,000,000)	Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy ($1,000,000)
1936	897	1 72.2	1955	2,114	266.4
1937	1,046	131.8	1960	2,650	333.9
1938	1,200	151.2	1965	2,586	325.8
1939	1,372	172.8	1970	2,497	314.6
1940	1,580	199.1	1975	2,446	308.2
1945	1,716	216.2	1980	2,392	301.4
1950	1,880	236.9			

1 Full-year cost reduced for administration lag.

month-the actuaries arrived at a figure of $136,000,000 for the first year, and increasing amounts thereafter. The pension costs will increase because of expected increases in dependency and still more because of the expected increases in the number of old people. The final cost of old-age pensions to the Federal Government, if you do not adopt a contributory system, according to the actuaries' estimates will be $1,300,000,000, in 1980. According to the actuaries, if simultaneously you adopt a system of contributory annuities that cost will not be $1,300,000,000 in 1980, but will be $500,000,000. There will still be pensions, even with a contributory annuity system, for the reason that the contributory annuity system can be made applicable only to employed persons. Forty percent of the persons that are classified in the census as being gainfully occupied are not employed persons, they are self-employed persons, the farmers, the business men, the professional people. While a smaller percentage of these self-employed people are probably in need of pensions, nevertheless it is a common observation that even people who have had a good income during a part of their life frequently at the age of 65 are without any income.

Those are outside estimates. Our staff is of the opinion that those estimates will not be attained. We believe that the pensions will not go up as much as the actuaries have calculated-it is all an estimate. But this is true, that the pension costs will materially increase in future years, due primarily to the fact that the number of old people is steadily increasing and there is a high degree of probability that the ratio of the dependency will also increase.

In the first year, it has been the thought of our Committee that $50,000,000 will be sufficient. We arrive at this figure in this manner: Two-thirds of the country is now in territory in which old-age pension systems are in operation. In that territory the old-age pensions actually granted amounted to $31,000,000 per year. That is the present expenditure. Half of this is $15,500,000. So we believe that $50,000,000 is probably an adequate figure for the first year, taking into consideration that 20 States do not have a pension law now and while a considerable number of these States will probably enact laws before July 1, 1935, they will not all do so at once.

Senator GORE. Have you ever figured, Mr. Witte, whether or not these appropriations, the expenditures by the States on old-age pensions, are limited by the fact that when people in the State pay taxes they know they are paying taxes, and they have a check on it, but when the Federal Government enters into this scheme, then they have no check on who is paying the taxes, they think nobody is paying the taxes, that it is just bounty coming from Santa Claus, or somebody else, there is no check on that?

Mr. WITTE. Senator, that is the double check that we have in this bill. The great protection of the Federal Government is that the States pay at least half the cost.

Senator GORE. Yes.

Mr. WITTE. That is the double check. We feel that this will protect the Federal Treasury and that this is ample protection.

Senator GORE. On that point now, you estimate that the total expenditure will be $1,300,000,000 by the year 1980. Would you be surprised if it would reach that figure by 1950?

Mr. WITTE. I would be greatly surprised.

Senator GORE. I hope that some curious historian will then check the record of this day.

Senator HASTINGS. In that connection I should like to inquire whether in your estimates as to the increase it is confined to the increase in old persons only, or have you taken into consideration the tendency, when you establish old age pensions, for the aged persons to come into those bounties when they would otherwise get along with the help of their children and other sources?

Mr. WITTE. We have taken into consideration that tendency. Costs will increase not only because of the factor that you mentioned now, Senator, but also the factor that at this time, as a result of the depression, people past middle age have lost their life's accumulations, so many of them, and that dependency in the years immediately ahead will probably be very much greater than it was before the depression. Our actuaries have taken into consideration this factor, and so has the staff, that there will probably be an increasing rate of dependency. The actuaries start with a 15-percent dependency rate, which they estimate will increase quite rapidly so that by 1940 there will be a 33-percent dependency, and they finally reached a figure of 50-percent dependency.

Senator GORE. You mean of people 65 years of age and over?

Mr. WITTE. Yes, sir; our staff feels that that is too high an estimate, based on the experience of other countries. The Dominion of Canada has had an act of this kind in operation since 1927, under which the Dominion pays 75 percent of the pension cost and the Provinces pay 25 percent of the pension cost. In Canada, there has been, in this period of depression, as you might expect, a tendency for an increasing number of persons to get on the pension lists, because actually people have been dependent-we have had them on the relief list and they put them on the pension list-but in Canada the dependency rate has not approached these maximum figures that our actuaries estimate. We do allow for that factor, Senator; we allow very heavily for that factor. There must also be taken into consideration the increasing number of aged in this country.

Senator GORE. Mr. Witte, can that go on indefinitely with the diminishing birth rate? I do not have the statistics on that.

Mr. WITTE. No; by 1980 we have reached the same position-that is the assumption-the same position that European countries have reached already, a condition where the population is practically stationary, and after that births will once more equal deaths.

The CHAIRMAN. What do they pay on old age pensions in England?

Mr. WITTE. The noncontributory old-age system pays 10 shillings a week. Ten shillings is, in our money, $2.50.

Senator GORE. Where is that?

Senator HASTINGS. In England.

Mr. WITTE. In England, In Canada, the pension is $20, a maximum of $20. That is, the contribution on the part of the national government is figured on $20.

Senator COSTIGAN. Mr. Witte, your figures provide a basis for calculating the increased cost of pensions if they are raised to $40 per month, do they?

Mr. WITTE. No; the increased cost will probably not be very great. I assume you meant a $20 maximum for the Federal Government?

Senator COSTIGAN. $20 or $25.

Mr. WITTE. It is very doubtful whether in most States of the Union the pensions would be very large if you made the maximum that the Federal Government would pay $20 instead of $15. They would be larger in the urban centers. In New York City, as I stated, the pensions now are $40 on the average, and if you take off the limit for the cases in New York City you will be paying $20. For the cases in the rural territory it is not expected that the pensions will be, at least initially, even as high as $30, because many of these people have some income of their own and you do not have to pay the whole cost.

Senator COSTIGAN. Are you in position to place in the record the Federal Government's share of this expense, provided Congress determines to raise the Federal contribution to $20 or $25 a month? Could you do that during the day, if not at this moment?

Mr. WITTE. I think that is given in the tables of staff estimates. I think that the $25 estimate would be ample even if you take off the entire $15 limit, and say, "You will pay half the pension cost, if you see fit to do that." I think the average would not be over $25, even in that event. It would, perhaps in future years, but not at the present time.

Senator HASTINGS. Have you any estimate as to how many wage earners, under this plan, would be contributing to this fund?

Mr. WITTE. That is the contributory system, Senator? These figures all relate to noncontributory system, and this big estimate of $1,300,000,000 by 1980 assumes you are not starting a contributory system at the same time. If you start a contributory system you bring down the cost.

Senator COSTIGAN. You are referring to old-age pensions as applied to people now 65 years or more of age?

Mr. WITTE. Yes.

Senator HASTINGS. What you are now talking about has nothing to do with the contributory system?

Mr. WITTE. No, Sir.

Senator BLACK. I understood you to say, Mr. WITTE. that if the contributory system was adopted that the $1,300,000,000 would be reduced to probably $500,000,000?

Mr. WITTE. Yes, Sir.

Senator BLACK. So that in that estimate you did give that figure assuming that the contributory system would be adopted?

Mr. WITTE. This contributory system outlined in the bill.

Senator HASTINGS. There is another question. I might as well ask it here as some other place. Have you any estimate as to how many people, how many wage earners, will be compelled to contribute to this fund when this act goes into effect on January 1, 1937?

Mr. WITTE. The entire number of wage earners in the country?

Senator HASTINGS. Yes.

Mr. WITTE. The number is approximately 40,000,000.

Senator HASTINGS. That is what I think-about 40,000,000.

Mr. WITTE. Yes.

Senator HASTINGS. Has it occurred to the committee what might happen to this long-time planning if that 40,000,000 began to resent that tax that they have to pay out of their weekly wage?

Mr. WITTE. I presume they would "up" the annuities, and "up" the cost of the Government, if there were that sort of a feeling.

Senator HASTINGS. Of course you appreciate if 40,000,000 people in this country made up their minds that they did not like it, it would end the whole business, wouldn't it?

Mr. WITTE. The thing they would then be demanding would be pensions without contribution. Now, as a matter of fact, Senator, I think this depression has made people realize-even younger people realize-the necessity for making provision for old age to a much greater extent than prior to the depression. I doubt whether a contributory annuity system is resented by labor. Even younger workers appreciate what a problem it is to make provision for old age. Their own parents are at present in distress in many instances and they know, as they have never known before, how vitally necessary it is to make some provision for old age.

Senator HASTINGS. The other day Senator Wagner called our attention to the fact that in the prosperous year of 1929 there were 6,000,000 families earning less than a thousand dollars annually, that there were 16,000,000 families earning less than $2,000 a year, and 20,000,000 families earning less than $2,500 a year. Now if you assume that those maximum figures were being earned by these families it would amount to $88,000,000,000, and the annual tax on that, to begin with, would be $440,000,000.

Mr. WITTE. I did not understand the figures, Senator.

Senator HASTINGS. That if you have 6,000,000 families and figure them at a thousand dollars a family, and 16,000,000 at $2,000 a family, and 20,000,000 families at $2,500, you would have a total of $88,000,000,000 that those families would be receiving, and if you put a one-half of 1 percent tax on them, I think it amounts to $440,000,000. Now I am wondering, with those average salaries already very low and with the families needing every cent they can get, whether or not they are going to be willing that $440,000,000 shall be taken out of them for any purpose, even though you try to convince them that it was, in the end, for their own good.

Mr. WITTE. I do not quite understand the figures. I have not had an opportunity to examine them.

Senator HASTINGS. Assuming those figures to be correct, do you not think those people will rise up and have a lot to say about it, have a lot of complaint to make long before this thing is in operation, very long, and which might result in ending the whole business?

Mr. WITTE. My answer to that, Senator, is this: The poorest people now know what old age costs. If not in the average case then in any number of cases these people are now supporting, at tremendous sacrifices, their own parents. In these groups they are now contributing a great deal more toward the cost of old age than this 1 percent; rising to 5 percent, of which they pay only half. They are contributing a great deal more than that.

Let me also suggest this, Senator: Contributory annuity systems are in operation at this time in substantially every European country. Some form of old-age security legislation is in operation in substantially every country in the world, with the exception of China and India. People in these countries haven't found contributions so very annoying. Likewise, employers in this country have in operation industrial pension plans under which more than 5,000,000 workers are included and most of these plans require employee contributions that are heavier than those contemplated in this bill.

Senator HASTINGS. This does not relieve them of those contributions, though. This supplants that, and they probably would have to abandon their plan which affects those 5,000,000 workers in order to accept this governmental plan, and the chances are the governmental plan, as far as that 5,000,000 workers is concerned, is nothing like as good as the plan that now exists. Is not that probably true?

Mr. WITTE. The industrial pension plans will probably function on top of this plan, because they provide more. This provision is merely a minimum provision. I suggest this, Senator: Mr. William Green, president of the American Federation of Labor, will appear before you; I suggest that you ask him whether labor resents making contributions to provisions for old age.

Senator HASTINGS. He only speaks for about a million and you tax here 40,000,000. That would make his answer not controlling, so far as I was concerned.

Mr. WITTE. Of course it is a matter of opinion, Senator.

Senator HASTINGS. Yes.

Mr. WITTE. My opinion is, while there may be some feeling on the part of the younger workers that they should not contribute, I believe that will not be the case generally, because even the younger workers now know what a problem old age is-they know that from their own families, they know it because they have had to bear the brunt and they are bearing the brunt of this burden. This is designed not only to help out the old people, but this will help the younger men who are now making these sacrifices for their parents. As this contributory system comes into operation, under which each person builds up his own provision for old age, it will help to lighten the load. My judgment, Senator, is that in this country, as well as in all other countries, old-age security will prove very popular, rather than the reverse.

Senator GERRY. Could you state when the Canadian act was passed?

Mr. WITTE. It was passed in 1927.

Senator BLACK. Dr. Witte, do you have any figures as to how many of these aged men or women are dependent on children who are making under a thousand dollars a year?

Mr. WITTE. I do not know of any studies of this kind. I think it is a very large percentage, Senator.

Senator BLACK. And a very large percentage also, I would assume, dependent on those families who are making under $2,000 a year?

Mr. WITTE. The aged dependents are mainly in the group of population that have bad very small incomes.

Senator BLACK. And those groups predominate?

Mr. WITTE. Those groups predominate. The bulk of the dependents, Senator, unquestionably are in these low-income groups. The people in the low-income groups are now paying the cost of the insecurity for the aged. As you make provisions for the aged, these people will realize that such provisions will help them.

Senator GORE. That is, you mean the children will be relieved of this burden and it will be transferred to the State, or to the taxpayers generally?

Mr. WITTE. This burden, under the contributory system, will be transferred to the employers and employees.

Senator GORE. You are speaking now of the contributory system?

Mr. WITTE. **Yes. The** contributory systems is the plan for making provisions for old age on other than a gratutious basis.

Senator GORE. It is your feeling that the children ought to contribute, ought to continue to contribute to the maintenance of their parents?

Mr. WITTE. To the extent of their ability; yes.

Senator GORE. Do you not think that there is as much moral obligation on the part of the children to support their parents as on the part of the parents to support their children?

Mr. WITTE. I think so; yes, sir.

Senator GORE. In Russia they have a scheme, I think, under which the State relieves the parents of that expense, they undertake to raise the children and assume that expense. You say that the youngsters are bearing this burden. Do you have in mind any plan of pensioning the young people, getting them started off right so that they do not have to face the struggle for existence?

Mr. WITTE. No, Sir.

Senator GORE. Now do you have in mind any report that embodies or epitomizes the different plans in vogue in the different countries?

Mr. WITTE. We have submitted that in the record.

The CHAIRMAN. That was submitted yesterday.

Mr. WITTE. Yes, Sir.

Senator GORE. I See. Have any of those countries the direct primary election system?

Senator HASTINGS. What was your question?

Senator GORE. Whether any of these countries have direct primary elections?

Mr. WITTE. Some of them have democratic forms of government. Old-age security systems exist the world over. They exist in substantially all countries of the world at this time, except China and India.

Senator BLACK. In England?

Mr. WITTE. They have them in every English-speaking country.

Senator GORE. In China their old-age insurance is producing large families, producing as many children as they can, so the children can maintain the parents in their old age. That is their method of old-age insurance.

Mr. WITTE. And it results in famines and starvation every once in a while.

Senator GORE. You do not think this will result in famine and starvation here?

Mi'. WITTE. No, Sir.

The CHAIRMAN. How long has that policy been in vogue in China?

Mr. WITTE. I think for generations.

Senator GORE. Immemorial; yes, sir.

Mr. WITTE. It has resulted in a civilization such as we would not tolerate. It has resulted in actual starvation.

Senator GORE. China is the oldest country in the world, but whether it is due to that cause or not is debatable. I wish you would name the members of the Committee who prepared this report.

Mr. WITTE. The Committee consisted of the Secretary of Labor, the Secretary of the Treasury, the Attorney General, the Secretary

of Agriculture, and the Federal Emergency Relief Administrator. It is a Committee created by Executive order of the President.

Senator GORE. Did that Committee consider at any time the so-called "Townsend old-age pension plan"?

Mr. WITTE. Certainly.

Senator GORE. What was your judgment and the judgment of the Committ e in reference to the so-called "Townsend old-age pension plan "?

Mr. WITTE. The judgment of the Committee was that the Townsend-old-age pension plan is not financially possible.

Senator GORE. You think that is a sort of an overdraft?

Mr. WITTE. Certainly, it is an overdraft. The Townsend old-age pension plan would require appropriations at this time of approximately 25 billion dollars. It would require taxes which are more than double the taxes levied by Federal, State, and local governments combine, to take care merely of the people that are now over 60 years of age. It involves a prospective obligation of $250,000,000,000 to take care of these people that are now over 60 years of age. That is clearly beyond our financial possibilities.

Senator GORE. And you make a point of that, that it is an impossibility?

Mr. WITTE. Yes.

Senator GORE. Do you think the difference between that plan and this plan is a difference of kind or a difference in degree?

Mr. WITTE. It is a difference in kind as well as in degree.

Senator GORE. A difference in principle as well as the large cost?

Mr. WITTE. Yes.

Senator GORE. You said yesterday that you are not a lawyer, and so I will not ask you, but did any member of your committee or did anyone else prepare a brief showing the constitutionality of the proposal to establish a noncontributory system of old-age pensions?

Mr. WITTE. We haven't any brief, but it can be prepared, I am certain.

Senator GORE. I wish you would have it prepared, pointing out what express power in the Constitution authorizes the establishment of a noncontributory system of old-age pensions, or from what express power you deduce or draw the implied power to take the money out of one man's pocket and give it to another person. It is interesting and I would like to have it introduced.

Mr. WITTE. Twenty-eight States now have pension laws, and they have been sustained.

Senator GORE. That is an entirely different thing. There is no doubt a State can establish old-age pensions, contributory and noncontributory. A State legislature has all legislative powers that are not denied to it by its own State constitution or by the Constitution of the United States. Whoever proposes to Congress to do anything must produce a section in the Constitution, a clause that authorizes Congress to do that act, or the grant of power from which it is deducible. That is the point I had in mind.

Mr. WITTE. Senator, the Attorney General was a member of the Committee. The Attorney General signed this report, and no doubt he will be willing to appear before you on the question of constitutionality.

Senator GORE. I would be glad if he would.

Senator LONERGAN. Are you through, Senator Gore, with the witness?

Senator GORE. I believe I am; yes. Go ahead.

Senator LONERGAN. Dr. Witte, who drafted this bill?

Mr. WITTE. The Committee had a counsel who drafted this bill, Thomas H. Elliott. The counsel drafted the bill in cooperation with the Members of Congress who offered the bill in the two Houses.

Senator LONERGAN. Did the Committee have before it copies of laws of other countries?

Mr. WITTE. All of them.

Senator LONERGAN. And in part this bill has been copied from other countries?

Mr. WITTE. I think it was copied mainly from our own laws. These provisions, for instance, in title 1, that we have been discussing, are taken from the laws of the 28 States that now have old-age pension laws. You have had bills in both Houses of Congress dealing with substantially all these subjects, in several different Congresses.

In this connection I have just been informed that there is a brief on the constitutionality of old-age pension legislation in the printed hearings before the Pension Committee of the Senate in the Seventy-first Congress.

Senator GORE. I wonder whether, when you submit that statement, you could cite the volume and the page, if it is not too much trouble.

Mr. WITTE. Certainly.

(The document referred to is as follows:)

FEDERAL AID BILL-THE CONSTITUTIONALITY OF THE OLD AGE ASSISTANCE BILL

(By JOSEPH P. CHAMBERLAIN, of Columbia University)

[Reprinted from Hearing before Senate Committee on Pensions, 71st Cong., 3d sess., on S. 3257, pp. 99-101]

There are several Federal statutes which make or authorize appropriations offering Federal aid to the States in conducting certain charitable, social, and educational enterprises. The acts referred to are the Smith-Lever Act (38 Stat. 372), agricultural extension work in State Colleges; the Smith-Hughes act (39 Stat. 929), for training teachers of vocational and agricultural subjects and paying teachers' salaries; the Smith-Sears Act (41 Stat. 735), industrial vocational rehabilitation; the Federal highway act (42 Stat. 212), and the Sheppard-Towner Act (42 Stat. 324), maternity and infancy welfare.

Doubt of the constitutionality of the Sheppard-Towner Act was expressed in an opinion by the attorney general of Massachusetts, 1922. (7 Mass. Law Quarterly, May 1922, 67.) As a result, two cases were brought to the Supreme Court to enjoin its enforcement. (Mass. *v.* Mellon; Frothingham *v.* Mellon, 262 U. S. 467, 67 L. Ed. 1078 (1922).) The first was brought by the State, claiming the act invaded the right of the State to local self-government and was a usurpation of power by Congress and that it imposed on the State an unconstitutional option either to yield its reserved rights or to lose its share of the appropriation. Considering the suit as being brought by the State in its own behalf, the court said, "We are called upon to adjudicate, not rights of person or property, not rights of dominion over physical domain, nor quasi-sovereign rights, actually invaded or threatened, but abstract questions of political power, of sovereignty of government. No rights of the State falling within the scope of judicial power have been brought within the actual or threatened operation of the statute. If an alleged attempt by congressional action to annul and abolish an existing State government `with all its constitutional powers and privileges' presents no justiciable issue, as was ruled in Georgia v. Stanton (6 Wall. 50, 75; 18 L. Ed. 721, 724), no reason can be suggested why it should be otherwise where the attempt goes no further, as it here alleged, than to propose to share with the State the field of State power." The court pointed

out that no State rights were invaded merely by extending the option, and held that the question of usurpation of power, when nothing had been done and nothing was to be done without the State's consent, was not a judicial question, of which the court would take cognizance, but a political question over which the court had no jurisdiction. In short, the court decided that the act involved no State rights protected by the Constitution and that there was nothing contained in it to lead the court to find it unconstitutional as a usurpation of power.

It also held that a State cannot as parens patriae institute judicial proceedings to protect its citizens who are also citizens of the United States from the operation of a statute of the United States, since, with respect to their relation to the Federal Government, it and not the State represents them as parens patriae.

The other case decided at the same time, Frothingham v. Mellon, was brought by a taxpayer of the United States to enjoin enforcement of the act on the ground that the appropriation from the general funds increased the burden of future taxation and thereby took the plaintiff's property without due process of law. But the court decided that though a taxpayer might sue to enjoin the illegal use of the moneys of a municipal corporation, his interest in the moneys in the National Treasury is so minute, and the effect of payment of the funds on future taxation is so remote and uncertain, that no action can be maintained to prevent enforcement of the appropriation.

These statutes and the old-age-assistance bill, drawn on their pattern, seem therefore to be free from possibility of attack in an action by a State or by an individual taxpayer. As to the objection made to the Federal-aid acts that they are infringements by Congress on the State rights of local self-government through the conditions imposed precedent to enjoying the benefits of the acts and that acceptances by the State would be void as an abdication of the State's sovereignty, Burdick, in 8 Cornell Law Quarterly, 324, argues that even if the conditions did involve the ceding of reserved State rights, still the mere legislation alone would be no unconstitutional act because it is ineffective until acceptance by the State, and further than, even after acceptance by the State actually involving delegation to the United States of some reserved governmental power, there would be no violation of the Federal Constitution. The tenth amendment, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people," is inapplicable as a test of the scope of the delegated powers of the National Government and cannot be taken to limit the exercise of the delegated powers; in particular, the powers of taxation and appropriation under Article I, section 8. As Corwin quotes Madison: "Interference with the powers of the States is no constitutional criterion of the power of Congress. If the power is not given, Congress may not exercise it. If given, they may exercise it even though it shall interfere with the laws or even the constitutions of the State." The State's acceptance, then, would at most violate the State constitution and would raise no question within the jurisdiction of the Federal courts.

But Burdick asserts that Federal-aid legislation has so far not involved delegation of legislative powers precedent to securing the benefits, and the same would be true of the old-age-assistance bill, as it is drawn in the same form and plan as the others. The conditions are of three classes: Mandatory and directory provisions regarding the use which the States are to make of the funds, which involve no surrender of governmental rights; requirements for reports and estimates from the States for the purpose of controlling the administration of the acts, but only to insure their fulfillment as accepted by the States. In these there is no limitation on the State legislature or general administrative powers.

Federal-aid legislation has been attacked as an illegal exercise of the power of Congress to tax and to spend money as granted in Article I, section 8, off the Constitution: "Congress shall have power to lay and collect taxes, duties,. imposts, and excises to pay the debts and provide for the common defense and: general welfare of the United States; but all duties, imposts, and excise shall' be uniform throughout the United States." Corwin in 36 Harvard Law Review, 548, and Burdick, in the article cited above, show that the power to provide for the general welfare contained therein is not an unlimited one to legislate for the general welfare irrespective of other constitutional limitations but only a qualification of the taxing power. But it is pointed out also that the prevailing construction given to the phrase does not limit the scope of taxation and expenditure for the purposes of general welfare to the other specially delegated' powers of Congress as Madison interpreted the words, but rather that the phrase has been given its literal and comprehensive meaning, limited only by the qualifi-

cation that the expenditures be general and not local, Hamilton's interpretation. Madison's opinion appears in the Federalist, No. 41 (40). He holds that the words are limited not only by appearing in the clause relating to taxation but also by being in the same section with the enumerated powers, and he construes them as a mere general phrase explained and qualified by the recitation of particulars which follow it.

This interpretation was first offered by Jefferson in his opinion on the constitutionality of the national bank (Federalist, 1898, appendix, p. 651), and was answered by Hamilton in his counter argument (Federalist 1898, appendix, p. 655-764), where Hamilton understands the phrase as allowing Congress to raise money for the purpose of general welfare, the only constitutional test being that it must be for a general and not local purpose; but "the quality of the object as how far it will really promote, or not, welfare of the Union, must be a matter of conscientious discretion; and the arguments for or against a measure in this light must be arguments concerning expediency or inexpediency, not constitutional right."

Story also contends against Madison's limited interpretation (Story on the Constitution, sees. 922 to 930, inclusive), and the broader interpretation has been accepted almost uninterruptedly throughout the history of the Nation, as Corwin shows at length in his Harvard Law Review article. Story also claims that in that clause of Article I, section 8, is found the power to appropriate. (Story on the Constitution, sees. 975-991, inclusive.)

No comprehensive judicial determination of the scope of the taxing power under the welfare clause has been made. Examples of earlier laws passed under the general-welfare clause are those making appropriations for agricultural researches, the formation of the Department of Labor, the Fisheries Bureau, and the Bureau of Mines. The Morrill Act of 1862 (ch. 130, 12 Stat. 503) granted public lands to the States on condition that they establish a college, and later donations of money from the sale of public lands were made to each State for the benefit of the colleges established under the Morrill Act. (1880, 20 Stat. 417.) It is probable that the court would not undertake to question the constitutionality of an appropriation for general welfare, and that general welfare is what Congress takes it to be unless clearly in violation of the constitutional limitation. In United States v. Realty Co. (163 U. S. 427 (1896)) the court held that "debts" in Article I, section 8, included a claim not legal in character but based on moral and honorary consideration and tinder that interpretation sustained an appropriation for a, bonus to sugar companies to replace a protective tariff removed at that time and did not question its constitutionality otherwise. The court refused to say there that Congress had the power to appropriate for any purpose it might choose to say was in payment of a debt or for general welfare, but declared that its decision recognizing a claim and appropriation can rarely, if ever, be subject to judicial review. A moral obligation was recognized as a debt in United States Sugar Equalization Board v. De Ronde Co. (77 Fed. (2d) 981, citing U. S. v. Realty Co.)

The power of the States to curtail their general powers to the extent of entering into temporary contracts is well settled. McGee v. Mather (4 Wall. (U. S.) 143, 18 L. ed. 314 (1866)); Sterns v. Minnesota (179 U. S. 223, 45 L. ed. 162 (1900)).

In summary, the constitutionality of the old-age assistance bill would be free from possibility of attack by any State or by an individual taxpayer and would be no invasion of the State rights to local self-government. The appropriation, under the general-welfare clause, would probably not be reviewed by the courts, and acceptance of the provisions by the States would be no unconstitutional surrender of their reserved rights and is within their power of making temporary contracts.

William D. Guthrie, in 7 American Bar Association Journal 14, was of the opinion that the Smith-Towner bill, Federal aid for education, if enacted, would involve a tendency toward interference by the Federal Government in the local affairs of the States, and would be a dangerous violation of the fundamental dual aspect of the Federal system of government, and would be detrimental to the best interests of education by involving it in politics and subjecting it to the standardization regulating from Federal control.

The State of Georgia sought an injunction against the Secretary of War to prevent his performance of duties imposed by an act of Congress which the State alleged would result in the abolition of the existing State government. The court held that under No. 2 of Article III of the Constitution the judicial authority did not include the power to restrain a representative of the executive branch from carrying into execution an act of Congress where the controversy called for a decision on a political question.

The CHAIRMAN. Mr. Witte, these States in the country that have adopted this pension system, have any of them applied this earning tax to which you have made allusion?

Mr. WITTE. The earnings tax is for the contributory annuity system, and there is no contributory annuity system in this country. Such a system cannot very easily be established by any State alone, because most people do not stay within the confines of any State during their lifetime. No State has attempted to do it.

Senator HASTINGS. Do they have contributory systems in other countries?

Mr. WITTE. The analysis of those laws has been filed with you. All European countries have contributory systems, or substantially all countires. The English-speaking territories outside of Europe-Canada, New Zealand and Australia-have noncontributory pensions only.

Senator CAPPER. Have the laws in these other countires been successful?

Mr. WITTE. I think that is generally condeded. The very fact that they have been copied and adopted in other countries in the world, substantially in every country in the world is evidence of at least a reasonable degree of success.

Senator BLACK. Have any of them abandoned them?

Mr. \VITTE. No, Sir.

Senator LONERGAN. Doctor, you remember yesterday at the conclusion of our session, I asked you if you could give us the estimated number of beneficiaries under these various plans proposed in the pending bill and the estimated cost to the Federal Government at the outset. Can you give that?

Mr. WITTE. I have those tables here.

Senator LoNERGAN. Will you place them in the record?

Mr. WITTE. Certainly; if I am permitted to do so.

Senator HASTINGS. I would like, Mr. Chairman, if it is not too much trouble and if it is not too long, I would like to have him tell us what those tables are.

Mr. WITTE. I thought I did that, but I will be glad to go over that again.

Senator HASTINGS. I do not want you to repeat it, if you did it. Before doing that let me inquire what if any table you have there which shows the amounts that would be paid to persons after a period of 5 years when this act becomes effective, 5 years after it becomes effective, and the man has paid in for 5 years. Do you remember what that section is?

Mr. WITTE. That is in title 4-the contributory system.

Senator HASTINGS. Yes; that is the contributory system.

Mr. W ITTE. Yes.

Senator HASTINGS. I have been trying to figure it out. It is found on page 25 and I would like to have you put in the record just what a man, for instance earning $100 a month and who has paid iu for a certr:in length of time, would get under this provision. I can figure that out fairly well, but I have some difficulty in figuring out what it would be on page 27 under paragraph 2. There seems to he a distinction made between paragraph 1 beginning on page 25 and paragraph 2; there seems to be a distinction made after the man begins to pay. When the man begins to pay after January 1, 1942, does

that mean that lie did less than lie would under paragraph 1 of this section? I have read several times but I cannot quite understand what lie would get under that paragraph 2?

Mr. WITTE. If you so desire and the committee permits I will be glad to submit tables showing the illustrative pensions under both the so-called "temporary plan" and the permanent plan. I have the tables here.

The CHAIRMAN. They may be put into the record.

(The tables referred to are as follows:)

TABLE *V.-Illustrative annuities under proposed plan payable to persons who enter the system during the first 5 years*

Age of worker in 1937	Year to retirement	Monthly annuities at age 65 based on average monthly wage-			Age of worker in 1937	Years to retirement	Monthly annuities at age 65 based on average monthly wage-		
		$50	$100	$150			$50	$100	$150
60	5	$7.50	$15	$22.50	39	26	20.00	40	60.00
59	6	8.00	16	24.00	38	27	20.00	40	60.00
58	7	8.50	17	25.50	37	28	20.00	40	60.00
57	8	9.00	18	27.00	36	29	20.00	40	60.00
56	9	9.50	19	28.50	35	30	20.00	40	60.00
55	10	10.00	20	30.00	34	31	20.00	40	60.00
54	11	11.00	22	33.00	33	32	20.00	40	60.00
53	12	12.00	24	36.00	32	33	20.00	40	60.00
52	13	13.00	26	39.00	31	34	20.00	40	60.00
51	14	14.00	28	42.00	30	35	20.00	40	60.00
50	15	15.00	30	45.00	29	36	20.00	40	60.00
49	16	16.00	32	48.00	28	37	20.00	40	60.00
48	17	17.00	34	51.00	27	38	20.00	40	60.00
47	18	18.00	36	54.00	26	39	20.00	40	60.09
46	19	19.00	38	57.00	25	40	20.00	40	60.00
45	20	20.00	40	60.00	24	41	20.00	40	60.00
44	21	20.00	40	60.00	23	42	20.00	40	60.00
43	22	20.00	40	60.00	22	43	02.00	40	60.00
42	23	20.00	40	60.00	21	44	20.00	40	60.00
41	24	20.00	40	60.00	20	45	20.00	40	60.00
40	25	20.00	40	60.00					

TABLE *VI.-Illustrative annuities under proposed plan for persons entering after 1942*

Years of contribution	Monthly annuities at age 65 based on average monthly wage-			Years of contribution	Monthly annuities at age 65 based on average monthly wage-		
	$50	$100	$150		$50	$100	$150
5	$5.00	$10	$15.00	26	$15.50	$31	$16.50
6	5.50	11	16.50	27	16.00	32	48.00
7	6.00	12	18.00	28	16.50	33	49.50
8	6.50	13	111.50	29	17.00	34	51.00
9	7.00	14	21.00	30	17.50	35	52.50
10	7.50	15	2'2.50	31	18.00	36	54.00
11	8.00	16	21.00	32	18.50	37	55.50
12	8.50	17	25.50	33--	19.00	38	57.00
13	9.00	18	27.00	34	19.50	39	58.50
14	9.50	19	28.50	35	20.00	40	60.00
15	10.00	20	30.00	36	20.50	41	61.50
16	10.50	21	31- 50	37	21.00	42	63.00
17	11.00	22	33.00	38	21.50	43	64.50
18	11.50	23	34.50	39	22.00	44	66.00
19	12.00	24	36.00	40	22.50	45	67.50
20	12.50	25	37.50	41	23.00	46	69.00
21	13.00	26	39.00	42	23.50	47	70.50
22	13.50	27	40.50	43	24.00	48	72.00
23	14.00	28	42.00	44	24.50	49	73.50
24	14.50	29	43.50	45	25.00	50	75.110
25	15.00	30	45.00				

Senator HASTINGS. The temporary and the permanent plans?

Mr. WITTE. The temporary plan, Senator, is the plan in operation for the people that are brought into the system now and is frankly intended to give people that are half old something more than the pittance that they would otherwise earn. The people who start in at a later date have the entire period of life ahead of them during which they can make provisions for old age. Under the temporary plan there is a partial unearned allowance to people that are now around 50 or 40, who have short periods of time only in which to make provisions for old age and who cannot, by their own means, build up a sufficient provision in the future remaining years of their lives, because, as I think you understand, compound interest becomes an important factor only after a lapse of years. If a man only contributes 5 years, the interest earnings are relatively slight, but for a man that contributes for 45 years, the interest amounts to the major part of the fund accumulated for him.

Senator HASTINGS. Now let me put a concrete example. Suppose a man starts in January 1, 1937, at 45, and pays in for 20 years and he is earning a hundred dollars a month and works all the time?

Mr. WITTE. He gets $40.

Senator HASTINGS. He gets 40 percent of that?

Mr. WITTE. Yes.

Senator HASTINGS. Suppose he starts in in 1942 and he is 45 and pays in until he is 65, what does he get then?

Mr. WITTE. He would get less.

Senator HASTINGS. How much less?

Mr. WITTE. He would get $25. But I think the case, Senator

Senator HASTINGS. I am not arguing it with you, I am just trying to get an illustration of it.

Mr. WITTE. He does not start at 45 in 1942, he starts at 20.

Senator HASTINGS. He may start at 45.

Mr. WITTE. If he is an immigrant, or something of that sort.

Senator HASTINGS. He might be out of a job.

Mr. WITTE. You mean he has not worked up to the time he is 45?

Senator HASTINGS. Yes.

Mr. WITTE. That certainly is a very exceptional case.

Senator HASTINGS. That is true, but it illustrates what I am getting at anyway. I am just trying to get the percentage, and while that may be an extreme case, for the purpose of illustration, I will put the case, that if a man who pays in for 20 years beginning January 1, 1937, would get 40 percent, while the man who paid in for 20 years beginning with 1942 would only get 25 percent, I would like to have you explain the fairness of that, and you explain the fairness of it by saying that it is practically impossible for him to be 45 years old when he comes in in 1942.

Mr. WITTE. The idea is, Senator, that we are trying to give an unearned annuity only to the people who are now nearly old, who have been working and haven't had an opportunity to build up provisions for their old age. After 1942 you do not get these short periods of employment except in rare cases. The actual situation you face after 1942 is a situation of a worker who has his whole period of life ahead of him, and he gets, after he has made his contributions, a larger return than is possible to the person who is now half old.

Senator HASTINGS. Let me give you an illustration under this bill. If a man is earning more than $250 a month he is not affected by this bill now, is he?

Mr. WITTE. No.

Senator HASTINGS. Suppose he continues to get $250 a month until after 1942 and then he was suddenly reduced and comes within the act, that would be an illustration of a man that might be 45 and would pay in for 20 years, and in that instance he would only get 25 percent against the other 40 percent.

Mr. WITTE. But he had the $250 for 20 years and he should have made some provision for his own old age.

Senator HASTINGS. I am not complaining about it at all, I am just trying to find out what it means. I could not quite work it out. I did not quite understand why the difference should be made.

Mr. WITTE. I understand that these tables have been received in evidence, Senator. Those tables will give you the story.

Senator COSTIGAN. Dr. Witte, the Committee of which you have been chairman has had the aid of numerous actuaries and I suppose they have provided you with various reports on the subject about which you have been testifying. Is it possible for you to provide the committee or the chairman, Senator Harrison, with an index of the names of the actuaries and the reports which they have made to you, so they may be available to the members of the committee who may wish to inquire further into the sources of your testimony?

Mr. WITTE. Certainly. The list of actuarial consultants and the list of the other advisory committees is given in the appendix to the report of the committee, which was filed in Congress.

Senator COSTIGAN. Also the reports to the committee?

Mr. WITTE. Many of the reports to the committee are in the form of these tables that we are submitting to you. We are submitting the entire story in the record, Senator.

Senator COSTIGAN. You are submitting the entire net results, the entire story?

Mr. WITTE. Yes.

The CHAIRMAN. Will you, for the sake of the record, furnish that data?

Mr. WITTE. Certainly. (See pp. 323-324.)

The CHAIRMAN. The printed report, other than those that appear in your testimony?

Mr. WITTE. We have no other printed reports Senator. We will be glad to include in our testimony any data that we have.

The CHAIRMAN. Now, Mr. Witte, the Secretary of I cahor, Miss Perkins, is ready to proceed. I am sure you will be glad to defer to her and let her go on.

Mr. WITTE. Certainly.

Senator LAFOLLETTE. There is just one question I would like to ask Dr. 'F itte. Do the actuarial consultants all agree that each one of these plans was actuarially sound?

Mr. WITTE. Actuarially sound; yes. The tables that we have presented give the estimates as to cost. W e have had a number of actuaries of very high reputation on our own staff; plus these we assembled a committee of actuarial consultants-outside actuaries-who went over all our actuarial computations and approved the estimates.

Senator HASTINGS. May I inquire whether or not any actuary has made an estimate of how much money it would be necessary to have now in a single fund to support this plan?

Mr. WITTE. To support this plan, the contributory system?

Senator HASTINGS. Yes. Suppose, for instance, in order to support it you had a fund drawing 3 percent interest, has anybody made an estimate of how much that fund would have to be for the moment?

Mr. WITTE. The estimate, Senator, is expressed in terms of an annual contribution. If you wish to have a flat annual contribution, the annual contribution would be approximately $500,000,000.

Senator HASTINGS. You do not understand me. If instead of annual appropriations and collections in the form of taxes to take care of these payments under this section which I have called your attention to, namely section 405, paragraph 1 and 2, if you are going to put that in existence and wanted a fund to support it-I was wondering whether any actuary had estimated how large a fund you would have to have at the time it went into effect?

Mr. WITTE. $17,000,000,000, sir. That assumes that instead of levying taxes you support this system out of interest. If you fund on the same basis the appropriations for veterans'.pensions the sum would be only. a little smaller. If you fund the Townsend plan, you would probably get figures such as the newspapers have reported in a suit in Los Angeles, where one man had sued another for septillion dollars. That would be approximately the amount you would have to have funded if you wish to support the Townsend plan from interest earnings.

Senator GORE. We would have to let the printing presses loose.

Mr. WITTE. Yes, Sif.

Senator GORE. There is one question. Believing in the constitutionality of this bill as you do, you do not have any objection to the insertion in the bill of a provision authorizing any taxpayer or association of taxpayers to test the constitutionality of it?

Mr. WITTE. I think that is their right, isn't it, Senator?

Senator GORE. I do not think so under the Frothingham case. The Supreme Court held that there was no way Frothingham could get into court.

Mr. WITTE. Would an act of Congress make any difference?

Senator GORE. I think so.

(For the remainder of Mr. Witte's statement, see p. 187.)

The CHAIRMAN. Miss Perkins, just proceed in your own way in an explanation of this bill, please.

STATEMENT OF HON. FRANCES PERKINS, SECRETARY OF LABOR

Mr. Chairman, I am very appreciative of your offering me an opportunity at this time to make a statement with regard to the bill which is before your honorable body, and with regard to the principles which the President's Committee having the matter in charge considered, and with regard also to various recommendations which they made.

As you know, last June, after the President's message to Congress, he appointed a Committee on Economic Security and asked its members to study the ways, means, and the technical methods by which we could achieve, through the techniques of legislation, a program of

social security which would cover the major social hazards of life in the United States of America. This committee which consisted of four members of his Cabinet and the Administrator of Emergency Relief, has been at work throughout the summer and autumn, meeting with regularity every week to consider the problems as they were set up for us by a staff which was particularly engaged to study the more technical and difficult aspects. The staff engaged was familiar with one or another phase of the problem. It also discussed these problems with the technical board, which consisted of persons already in the employ of the Government, and themselves capable judges in the field in which the special investigations were being made. We therefore feel that we have, while not necessarily a perfect system, one which represents a conservative, a practical, and a flexible method of providing at least a minimum of social security against the major and more regular hazards of life in the United States of America.

The President's message outlined to Congress some of these major hazards which many citizens face at one time or another. It emphasized that there is a problem of dependency in childhood which is sometimes very devastating to the immediate present of the children and also to their future life. The message intimated that there ought to be some regular provision for the care of children and for bringing all the children under the benefits of a home life, rather than a scattered, intermittent care by institutions and foster parents.

The President also outlined what most of us have become aware of in recent years, the hazards of the wage workers in the United States of America.

We have all come to recognize, I think, the fact that a large proportion of our aged people find themselves, when they are 65 years old or over, either without personal means of support or dependent not upon their immediate families but upon some charity from the public, or voluntary gifts of people who are strangers to them. In addition to the combination of these hazards, together with that of illness which, when it does arrive, becomes a complicating factor in every family life, we have superimposed in recent years the particular hazard of unemployment. We have to recognize that these factors, although each exists alone as a hazard to security, may be combined. In any one particular family you may have all of these factors spelling a ruination of that family's prospects.

Most of us here recognize that these are factors over which they have no particular control. The incidence of illness or death, of old age, and of unemployment are hazards which no individual can control for himself, and our way of life in these days, our method of living by manufacturing and by merchandising, and only partly by agriculture, has complicated this situation and has made any family exposed to these hazards practically helpless, so far as anything which they themselves as individual units can do.

We have, therefore, come to recognize that these hazards are largely social in their nature. They have their origin in the way in which we carry on our business, industry, and financial systems, and therefore the method of protecting against them ought to rise out of some cooperative means. This, of course, means actually a mechanism devised by the Government to protect its citizens against some of these worst hazards.