

Mr. WOODRUFF. But it seems to me a far step from what we can realize from a 3-percent sales tax to the figures, Mr. Doane, that you reach for this transaction tax as you would apply it over the whole year, because it is a wide step from 608 millions to 4 billions; and that is a 3-percent sales tax, and you propose only a 2-percent sales tax.

Dr. DOANE. If that were realized, as Mr. Vinson says, 400 million dollars on 2 percent, that is five times better than my estimate. I estimate here only 83 million dollars.

Mr. VINSON. That is on a monthly basis, your 83 million dollars. He is speaking of an annual basis.

Mr. WOODRUFF. I am speaking of the annual basis.

Dr. DOANE. Yes; I beg your pardon.

Mr. VINSON. In other words, 400 million as against 4 billion.

Dr. DOANE. I beg your pardon; that is right.

Mr. WOODRUFF. That is 400 million dollars as against 4 billion dollars.

Dr. DOANE. The 4 billion includes the raw materials and the processing.

Mr. WOODRUFF. I understand, from your deductions, there must be that 2-percent tax on at least 9 different transactions other than the retail transaction. That is what it means, too, is it not.

Dr. DOANE. Yes.

Mr. WOODRUFF. Mr. Doane, I think every man and woman in this country would be glad to see the Townsend plan enacted by Congress if it would do the things that its proponents think it can do. Have you any opinion to express on that, as to whether or not this plan can be successful if passed by Congress?

Dr. DOANE. I think the plan is worthy of consideration as a problem of our modern social life, and I think the idealism of it is right and noble, especially the sense of social security.

Mr. WOODRUFF. There is no question about that.

Dr. DOANE. It also would take out of the number of employables, according to the census of occupations of 1930, approximately 4 million individuals aged 60 and over, who were gainfully occupied, according to that census, in the year 1930, which would make available 4 million new jobs for those unemployed. In that sense, it is very good.

The way I approached that problem from the start was whether or not we could afford to support this additional service charge—I view this as a pure service charge—against our ability to produce in terms of physical income at current rates an additional 24 billions of dollars on top of that. Of course, my first reaction was that it could not be done, and my reaction is yet that it cannot be done in that maximum amount. I think it possible to introduce the idea in a modified form that Dr. Townsend or others, or this committee, may devise, taking on just a small number. You may even change the pension from \$200 to a smaller figure, and after a period of years you might be able to care for three to four million additional income recipients. But to take in all of the full ten or eleven million in that age group immediately, I think none of us have the remotest idea that it is possible.

Mr. WOODRUFF. That is all, Mr. Chairman.

Mr. HILL. Doctor, have you an opinion as to the maximum added tax load that the Government could assume at this time for the purpose of old-age pensions?

Dr. DOANE. The maximum—

Mr. HILL. The maximum tax load that the Government can assume at this time for the purpose of taking care of old-age pensions.

Dr. DOANE. Based on the introduction of this new form of taxation?

Mr. HILL. Yes.

Dr. DOANE. I think that is indicated here in my first four tables. Approximately 4 billion dollars.

Mr. HILL. Four billion dollars a year?

Dr. DOANE. Yes; one interesting thing that this form of taxation suggests to me is a way of raising current revenue to meet the current expenditures of the Government, probably on a pay-as-you-go basis without incurring continual government deficits and borrowing. It might enable us to reduce our current Government deficit, however the money might be applied. I think that it is possible with our present productive ability and capacity in the United States due to what you are all familiar with, the technicological changes and increased efficiency in machine technique, that we might be able to develop within a period of years to a point where we could take care of these aged people to the full extent suggested originally by Dr. Townsend, and that it could be introduced now and gradually built up over a long number of months, 12, 24, 32, 50, or 60 months, until you could reach that maximum. And it might come shorter; I do not know. I am not a prophet of the future.

Mr. HILL. That is all more or less of a guess in which you are indulging now?

Dr. DOANE. I do know this, that in the study made by Dr. Jordan and myself covering the total spending for those years, 1919 to 1930, inclusive, in the year 1919 we found the consumers of America were spending for consumption goods some 60 billions of dollars, and the consumers of America were spending for pure services some 24 billions of dollars. Those figures were published, of course, 3 years ago, in 1932. It is just a coincidence that the 24 billions of dollars that we spent in the United States in the peak year, 1929, for pure services, happens to be the exact amount suggested by Dr. Townsend that we spend for services of this other character.

The total income being from 81 to 83 billions of dollars in 1929—you understand we are always talking in approximate terms; no one knows exactly how much the income was—if we were able to spend 24 billions of dollars for pure services in 1929, and it required the production of 60 billion dollars' worth of physical goods to enable us to spend 24 billion dollars for the services of school teachers, musicians, ministers, lawyers, and so on, therefore if we would double that production of physical goods to 120 billions, it would stand to reason that we then could stand an additional 24 billions for additional services.

Mr. HILL. You would have to increase the income, would you not?

Dr. Doane. That would naturally increase the income. I am talking about some future date now, you see.

Mr. HILL. A long way in the future, is it not?

Dr. DOANE. I do not know; I could not say.

Mr. DINGELL. I would just like to ask you one question, Dr. Doane.

We have, as you know, at the present time from 3 to 11 kinds of taxes on automobiles, not counting sales taxes. Add a commodity tax of 2 percent and suppose under the Townsend plan on 10 transactions applied to the material from the raw state to the finished product used in the automobile, or built into the automobile, and what would be the effect on this major industry, in your estimation?

Dr. TOWNSEND. Ask him to restate his question, please.

Dr. DOANE. He has asked me what the effect of the imposition of this additional 2-percent sales tax might be on the automotive industry due to the present tax burden of that industry.

Mr. DINGELL. Which is already there, with from 3 to 11 distinct kinds of taxes applied on the automobile at the present time.

Dr. DOANE. Eleven now?

Mr. DINGELL. From 3 to 11.

Dr. DOANE. Of course, I am not very familiar with the technology of automobile production, but, roughly, based on the normal expected turnover of other forms of industry, it would increase the cost of the motor car to the individual buyer probably 10 or 12 percent.

Mr. DINGELL. You said in answering Mr. Woodruff that the average number of transactions, over and above the sales tax, is about 10 transactions, so roughly speaking there would be 20 percent added to the cost right there on 10 transactions, from the time that, say, the raw material leaves the iron mines of northern Michigan or Hibbing, Minn., until it is finished in an automobile at Detroit. There would probably be that same reasonable average, possibly more.

Dr. DOANE. That is assuming that they will be successful in passing the complete tax on.

Mr. DINGELL. That is what is provided in the Townsend plan, however, a transactions tax; regardless of how many transactions occur, each transaction is taxed 2 percent. Assume that the ore is sold at Hibbing, Minn., or northern Michigan; there is a 2-percent tax. When it comes down to the steamship company, that company makes a profit on carrying that ore and pays 2 percent, because that is a transaction according to the interpretation we had here early in the hearing. Then it goes into the blast furnace and is turned into pig iron. Later on it goes to the steel mill. Finally it is rolled. Then possibly it is trucked into Detroit from Massillon, Ohio, and then possibly a sheet-metal concern presses it into mudguards or fenders. Then there is a 2-percent tax on that transaction. Finally it is put into the automobile. Then there are enamel taxes and a hundred and one other taxes that go into that, each paying a transaction tax.

What I am wondering about is, what would be the effect on the automobile industry when we apply all of these additional taxes to try to meet the provisions of the Townsend plan, in your estimation? I am asking you the question: Would you say, for example, to make the question clear and distinct, that it would have a stimulating effect upon the automobile industry, or would it have a withering, paralyzing effect?

Dr. DOANE. Of course, if it increased the prices of motor cars more rapidly than the total mark-up of all retail prices, it would have a rather discouraging effect upon the industry, I should imagine.

Mr. DINGELL. Assume it would have the same relative effect upon the motor-car industry.

Dr. DOANE. If it had the same relative effect, no; it would still be just as profitable as it is now; it would not increase.

Mr. DINGELL. In other words, you contend that the question of added taxes would have no effect whatsoever?

Dr. DOANE. If the total level of all prices moved up correspondingly, it would be in no more adverse condition than any other industry.

Mr. DINGELL. That is perhaps true.

Dr. DOANE. If, of course, as a result of levying these taxes, we did increase the buying power of the people, they might buy more motor cars; and as you would have an increase in motor-car buying, they would be enabled to get on a larger production scale and reduce their production cost. Therefore, it might be favorable toward the industry and would increase their profits.

Mr. DINGELL. According to that, then, you are sold on the idea of the Townsend plan as actually stimulating business regardless of the taxes?

Dr. DOANE. I am saying that if through the collection of these taxes we could stimulate additional purchasing ability, it would have a favorable effect.

Mr. DINGELL. You would put in the word "if" it would stimulate it?

Dr. DOANE. Oh, yes.

Mr. DINGELL. All right.

Dr. DOANE. It would be possible, of course, from a mathematical and a statistical point of view to build up—if you are passing out these \$200 per month, it is statistically possible to get them all on within approximately 40 months. We would then be collecting maybe 26 billions of dollars in taxes. That is the maximum expectation, statistically, mathematically, all other things remaining equal. Please understand, I am stating that just in that way. I do not say that I think that could be done in that way.

Mr. VINSON. As I understood your statement, it was that you might leave off some of the aged. Would you leave off a man over 60 years of age such as John D. Rockefeller, Andrew Mellon, Henry Ford, and gentlemen of that type?

Dr. DOANE. You will have to ask Dr. Townsend that.

Mr. VINSON. As I understood you, you were going to start gradually and put part of them on the rolls and then step it up. I am just wondering what your idea would be, as to whether or not these gentlemen should be left off.

Dr. DOANE. In my own opinion, I should not think it would be necessary.

The CHAIRMAN. I believe you stated at the outset that you had not read the Townsend bill.

Dr. DOANE. That is right.

The CHAIRMAN. You have not studied the plan?

Dr. DOANE. I have read of the plan through the public prints, the newspapers.

The CHAIRMAN. You know at best how uncertain and unreliable information in the papers might be. If you were going to invest money and take the responsibility of this legislation, would you be

willing to act upon information you saw in the newspapers, if you were in Congress?

Dr. DOANE. You are trying to get me in bad with the newspapers.

The CHAIRMAN. No; I am not. I am just trying to get your views. They brought you here as a witness. I want to see if you endorse this Townsend plan. If you endorse the plan, yet you say you have not studied it and know nothing about it, according to your own admission.

Dr. DOANE. I have not read the bill, whatever the name of that bill is, but I have discussed the matter one evening with Dr. Townsend. Of course, prior to that my familiarity was through the press, but in that one evening I think he brought out the main points.

The CHAIRMAN. From what study you have made of it and its principles, are you advocating that Congress adopt the Townsend plan for this country as a sound, economic measure?

Dr. DOANE. I think I have stated—

The CHAIRMAN. You can answer that one way or the other.

Dr. DOANE. I have stated before that we cannot in our present economic position put into full effect—

The CHAIRMAN. I did not ask you to ramble all around the earth and back by way of Georgia. I asked you if, in view of our present economic condition and in the light of the study you have given that plan, you would recommend to this committee that it recommend to the Congress the enactment of the Townsend plan into law. You can answer that yes or no. I do not think you need to ramble all about. I want to be courteous, but I want you to give me a direct answer.

Dr. DOANE. The only way I can answer that is with this condition: The original Townsend plan that I read of in the newspapers carrying the full 24 billion dollars a year requirement—no; I would not recommend that. That could not be done at the present time. But I would recommend that a very serious study be entered into by some commission or some group to see what the possible limits might be of Dr. Townsend's plan.

The CHAIRMAN. Would you base that study on what you saw in the newspapers and what Dr. Townsend told you, or would you get some further information if you were going to make a serious study? You are a witness; you should have made a serious study.

Dr. DOANE. I would recommend that a serious study be made, as to the possibilities for covering all Government revenue through all forms of taxation, what the maximum results might be of a 2-percent or a 1-percent or a 3-percent tax, and how many transactions we could arrive at. I would make it rather elaborate. It would take, probably, about 6 months, to get through a study of that kind, and it would take a pretty good sized staff.

The CHAIRMAN. As an economist you would want to take 6 months to make a study of that kind before you would want to pass on its economic soundness?

Dr. DOANE. I would; yes.

The CHAIRMAN. We thank you, doctor, for your appearance.

Dr. DOANE. I thank you very much for permitting me to appear. May I ask one question? May I have the privilege of revising and correcting my testimony?

The CHAIRMAN. You have that privilege.

Mr. REED. I was called to the telephone when Dr. Doane came to the stand. I was wondering if there was a preliminary statement as to his experience and qualifications that went into the record.

The CHAIRMAN. Oh, yes; it is in the record.

Dr. TOWNSEND. Mr. Chairman, may I be permitted a word?

The CHAIRMAN. If there is no objection, you may.

#### FURTHER STATEMENT OF DR. TOWNSEND

Dr. TOWNSEND. It has been very obvious to all of us that it would be quite impossible to start pensioning all of the old folks who have attained the age of 60 at one particular time, but it is also very obvious that it will take several years even to register them—a good many months. Now, if we were to start at the age of 75, we will say, and register these old folks as rapidly as possible and place them upon a \$200 per month basis of pensioning, by the time we got down to the 60-year-olds, all the way through, time enough would have elapsed and the new amount of money put into circulation would so stimulate the productive ability of America, that we could easily take care of these classes as they came along on a \$200 a month basis. I think Dr. Doane's entire analysis of this situation goes to prove one thing. Nobody has been fool enough to expect that we could take 10 millions of old folk and put them immediately on a \$200 a month basis without putting this country into debt considerably in order to carry it. There has never been any idea that 10 millions would be retired immediately. But we can eventually do it by starting at a certain age, and the productive increase due to this power of buying which these elderly people would have would unquestionably so stimulate the productivity of America that the taxes of 2 percent would be ample to eventually retire them at that age.

The CHAIRMAN. We are not going to prolong the hearing by debating the question further, but evidently you must know that the people who are writing these letters, inundating Congress with letters by the carload, must have had it sold to them on the theory that just as soon as this law is enacted they will immediately go on the pay roll. That is evidently the way they understand it, and you are bound to know they understand it that way.

Dr. TOWNSEND. I cannot help that. We all expect to go on that pay roll.

The CHAIRMAN. If they understood they were not going to be registered for several years and would not get on the pay roll immediately, the propaganda would cease at once.

We thank you, Doctor.

Mr. VINSON. Mr. Chairman, may I ask Dr. Townsend a question?

The CHAIRMAN. Very well.

Mr. VINSON. I heard your last statement, Doctor, and noted what you said about the time it would take to get all of them listed. Do I understand that you are receding from the position stated in this bill—and I am reading from it—and conceding that we could not do it at this time?

That every citizen of the United States, 60 years of age and over, or who shall attain the age of 60 years after the passage of this act, while actually residing in the United States, shall be entitled to receive, upon application and qualification, a pension in the sum of \$200 per month?

Dr. TOWNSEND. I absolutely stand for that; however, as I stated, it is very obvious that we could not get to all of them immediately.

Mr. VINSON. How long do you think it would take to register all those above 60 years of age?

Dr. TOWNSEND. It would take a good many months.

Mr. VINSON. How many months?

Dr. TOWNSEND. It would be very difficult to estimate. I presume it will take 2 years before we can get to all of them.

The CHAIRMAN. You are excused, Doctor.

Mr. FULLER. I have here a short statement by Mr. John L. McClellan, of Arkansas, which I would like to insert in the record. This statement expresses the viewpoint that if the State is not able to pay its pro rata share, the contribution of the Government should still be made. Though I know you are hearing no further witnesses, I would like to have this go in the record.

The CHAIRMAN. It was agreed the other day that up until the time of printing members of the committee could insert material into the record of these hearings, so the statement to which you refer may be inserted in the record.

(The statement referred to follows:)

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STATEMENT OF HON. JOHN L. MCCLELLAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

The enactment of a law providing a Federal pension for our citizens who, by reason of the infirmities of old age, are unable to earn a living, is acknowledged as being an obligation in part, at least, of the Federal Government, and has been embodied in and constitutes a vital part of the security program submitted to Congress by the President of the United States.

H. R. 4120, introduced by Hon. Robert L. Doughton, chairman of this committee, embraces provisions dealing with this along with the other subjects of the security program having the approval of the administration.

It is my purpose to call to your attention the inequities of this measure that will, in the event of its passage without proper amendments, result in serious discrimination against many American citizens its purpose is to assist.

Not admitting but conceding only for the purpose of this discussion that there is an equal obligation resting on the several States to help in discharging this burden, and granting further that the extent of the obligation of the several States is one-half, this still does not justify the position taken that the Federal Government will refuse to make any provision for or payment to the aged who otherwise qualify in those States where, because of general economic conditions, lack of revenue, other unexplored taxable resources, or for any other reason, are unable to make the contribution this bill demands.

Whether an old-age pension is treated as a gratuity given solely in the name of relief, or as compensation merited by reason of loyal citizenship over a period of years, the principle involved is the same, and the discharge of the obligation of the Federal Government, even though it be conceded to be only one-half, should not be contingent on the ability of the several States or any particular State to carry its share of the burden.

This Government should not regard the boundary lines of States in dealing with or legislating for the benefit of its citizens coming within a designated class. If it is a gift, the grant should be made, insofar as the Federal Government is concerned, to every citizen alike who qualifies as to age and financial circumstances. This is equally true if it is considered as compensation, payment, or reward for services rendered.

The State of Arkansas is unable to provide additional taxes that will increase her revenues sufficiently to meet, in my judgment, to any substantial degree, the requirements contained in this bill. Approximately 75,000 citizens of my State are 65 years of age and older and would be eligible on that basis to share in the benefits of this laudable program. To raise adequate revenue for the State to be able to contribute \$15 per month, in order to match the maximum amount allotted by the Government, it would be necessary by some form of taxation for

Arkansas to increase her revenues \$13,500,000 per year. This is impossible and exceeds the amount of the present State's revenues for all purposes. In order to provide \$10 per month to match an equal amount by the Federal Government thereby providing for a pension of \$20 per month for its citizens, her revenues would have to be increased \$9,000,000 per annum, and so as to provide a pension of \$10 per month for American citizens residing within her boundaries, it would require an increase of \$4,500,000 per annum. This amount under prevailing conditions is likewise impossible.

The Arkansas Legislature is now in session and is having serious difficulty in finding a way to raise revenue to finance her public schools, nearly all of which are in extreme distress, and many of her charitable institutions are inadequately supported and provided for.

Under these circumstances, Arkansas cannot meet the responsibility this law imposes, and I am persuaded there are other States confronted with a similar situation, and whose citizens will derive no benefit whatever under the old-age security provisions of this measure.

Shall citizens of Arkansas and other States who are American citizens as well, be discriminated against in this fashion? Shall they be penalized because of the financial inability of their State to make an equal contribution? If so, the penalty is unjust and aggravates rather than relieves their misfortune and a righteous government should not inflict it.

In this program we are dealing not with property rights, but with human beings—with life itself, seeking to make it more secure and enable a class of our citizens to have and enjoy as they face the setting sun such comforts as humble necessities afford. Shall these benefits be offered and made possible to some and withheld and denied to others? Every principle of equity and justice forbids that such a policy be sanctioned.

If the Government is going to make a gift for the benefit of her citizens of a certain age who have no means of support or pay to them a merited compensation, it should be in the same proportion to every citizen who qualifies, irrespective of State boundaries or the political subdivision in which they reside.

In a national emergency American citizens are called on to make the same sacrifices irrespective of their State domicile. This is equally true with reference to supporting and maintaining the Government in time of peace. Let us not now discriminate against and penalize those of our citizens who may be so unfortunate as to reside in a State unable to match dollars with the National Government for this relief.

If the Federal Government has ascertained its ability and the propriety of paying \$15 per month to her citizens 65 years of age and over, let this blessing be spread on the table for all and denied to none.

I respectfully urge your careful and earnest consideration of these facts and principles and that the committee recommend proper amendments to safeguard against these inequitable and discriminating provisions.

LETTER OF E. V. McCOLLUM, JOHNS HOPKINS UNIVERSITY, DEPARTMENT OF BIOCHEMISTRY

THE JOHNS HOPKINS UNIVERSITY,  
SCHOOL OF HYGIENE AND PUBLIC HEALTH,  
*Baltimore, Md., January 29, 1935.*

HON. ROBERT L. DOUGHTON,  
*Chairman Ways and Means Committee, House of Representatives,*  
*Washington, D. C.*

DEAR MR. DOUGHTON: I am writing you as Chairman of the House of Representatives Ways and Means Committee in reference to Mr. Wagner's bill, S. 1130. I am particularly interested in paragraph 3 on page 52 under title VII on maternal and child health.

Permit me to emphasize my belief in the need for special demonstrations and research in maternal care in rural areas and other aspects of maternal and child health. This work, if financed, would I believe be under the supervision of Dr. Martha M. Eliot of the Children's Bureau, who is a person exceptionally qualified for both the planning and conduct of research in the field mentioned. I feel quite confident because of my long acquaintance with her that any funds made available for work in her department would be exceptionally well expended. Therefore anything you can do to promote the passage of the bill in such form that an adequate remainder of funds will go to the Secretary of Labor for use in work relating to maternal care and child health will be greatly appreciated.

Very truly yours,

E. V. McCOLLUM.



## BRIEF OF LAWRENCE L. GOURLEY, REPRESENTING THE AMERICAN OSTEOPATHIC ASSOCIATION

Mr. Chairman, gentlemen of the committee, there are approximately 9,000 osteopathic physicians and surgeons licensed and practicing in the United States, about 50 percent of whom are active members of this association. There are also six accredited colleges, and something over 193 hospitals and clinics. The American Osteopathic Association, 430 North Michigan Avenue, Chicago, Ill., is representative of the osteopathic profession and of allied institutions.

The association was established to promote the interest of the science of osteopathy and of the osteopathic profession by stimulating research, elevating the standards of osteopathic education, and advancing osteopathic knowledge. Members of the association are required to be graduates of recognized colleges of osteopathy and licensed practitioners. It is organized along democratic lines as a federation of divisional societies established within the States. The house of delegates, comprised of representatives elected by the various federated societies, meets annually as the constituted legislative body of the association. Among the publications of the association are a code of ethics, a year book, a journal, a forum, and a magazine.

The attitude of the American Osteopathic Association toward the legislation now before this committee may be characterized as an admixture of commendation and apprehension. Any rational plan which has for its objective an increase in the availability of medical services to needy families and the improvement and further extension of measures of preventive medicine would have the unqualified and active support and the cooperation of the osteopathic profession and its institutions. This bill embodies a plan directed to those objectives, but the plan is not altogether rational. By rational I mean, consistent with sound reasoning and conducive policy.

I propose to discuss certain provisions of the bill for the purpose of inducing, if I can, an advance understanding and construction along those lines. I think we will have no trouble in agreeing that any plan, however commendable in its ultimate objective, which injects or permits directly or indirectly any discriminatory features, is thereby and to that extent defeated from the beginning. On the surface, this bill appears to be free of such objections. Experience has, however, taught the osteopathic profession that discriminatory features often make their first appearance in administrative policies which are adopted under color of the most innocuous provisions of an act. I realize that Congress cannot foresee every possible construction of its language. Its language must, for the most part, be of broad and general application. The working out of the detail of operation of the statute is logically lodged in the administrative arm of the Government, but it is submitted that all administrative regulations should be directed toward fulfilling the intentions of Congress as expressed in the basic act. The hearings and the reports of congressional committees are indexes to that intention. If you will bear with me, I will discuss the pertinent provisions of this legislation, beginning first with title VIII.

Under title VIII, page 61, section 802, the Bureau of the Public Health Service is allocated the sum of \$8,000,000 for distribution among the States in an effort to further develop State health services. The development of State health services is specifically defined in this section to include the training of personnel for State and local health work. How much, or whether the State receives any of the money for the purpose of training its health service personnel, depends on the need for it as determined by the Secretary of the Treasury, who is authorized by section 803 of the bill to make such rules and regulations as are necessary to accomplish the purposes of these provisions in the act. Included also in the definition of the development of State health services, as determined by section 802, is the assistance of counties and/or other political subdivisions of the States in maintaining adequate public-health programs. The basis of need is also the gage for determining the allotment for these purposes. Under this set-up, it is obviously important to foresee as nearly as possible what may be the considerations which will enter into the determination of this basis of need. Epidemics will, of course, be considerations, but these, we hope, will be fewer and further between, and also of a temporary character. Outside the realm of emergency considerations, what are to be the permanent rules? If we turn to page 335 of the unrevised hearings of this committee on this bill, we are afforded an advance conception of some of these rules. In the statement furnished by the Surgeon General of the Public Health Service, Dr. Hugh S. Cumming, appears a recommendation of the committee on qualifications of local health officers. Further identification of the committee referred to is not made in the statement, but one

of the recommendations is that in communities having a population of less than 50,000—The health officer shall have a degree of doctor of medicine from a reputable medical school and be eligible to take the examination for a license to practice in the State where he is to serve. It is not, however, recommended that the health officer shall actually be licensed except, of course, where licensure is required by statute as is the case in certain States."

Look now at the preceding page of the hearings, page 334. In the same statement and under the heading of "Regulations governing the participation of the Public Health Service in the establishment, development, or maintenance of local health service in rural areas, in the fiscal year 1935", item 6 under this heading reads, "Contributions will be made by the Public Health Service toward the establishment or maintenance of county or district health service only under the following conditions: (a) The county or district unit shall be under the direction of a whole-time medical health officer, whose training shall meet the requirements recommended by the joint committee on qualifications of county health officers and adopted by the conference of State and Territorial health officers."

Now, read these two recommendations together and you have a prospective regulation under this act which would deny funds for the training of any health officer personnel to other than those with the M. D. degree, and no funds will be given in aid of any county or district health service, unless the health officer in that particular county or district has an M. D. degree. Now, there are somewhat over 100 public-health officers in this country who are osteopathic physicians and surgeons. Such a regulation would deny any public health aid under this bill to those communities, unless they should deprive their present health officers of their positions and turn them over to M. D.'s. The imposition of such a condition as precedent to financial aid would be nothing short of dangling money, before communities for a surrender of their elective or appointive prerogative in choosing their own public officers, nor is the proposition softened with the consideration that they don't have to surrender these prerogatives under this act—that they can keep their prerogatives and not receive the benefits provided hereunder. If the prevention of disease is important at all, it is just as much so in one community as another, and the principle is un-American which would impose a choice between the right of elective franchise and the extension of public health benefits. These communities have preferred osteopathic physicians and surgeons as their public health officers. They have recognized the qualifications of these practitioners for that office.

Osteopathic physicians and surgeons are licensed and practicing in every State and Territory of the Union. Their professional training is not inferior to that of any other school of medicine. Their colleges include public-health courses. Their colleges grant the degree doctor of osteopathy. In 1929, in the act to regulate the practice of the healing art in the District of Columbia (45 U. S. Stats. 1326), Congress expressly provided, I am now reading from the law, "The degrees doctor of medicine and doctor of osteopathy shall be accorded the same rights and privileges under governmental regulations." Furthermore, in 1930, in the act providing for the coordination of the public-health activities of the Government (Public Law 106, 71st Cong.), Congress specifically provided, I am now reading from section 11 of the act, "That any regulations which may be prescribed as to the qualifications as to the appointment of medical officers or employees shall give no preference to any school of medicine." Now, in the face of these two expressed commitments of Congress, we are confronted with the prospect of a regulation which refuses any recognition of the degree doctor of osteopathy, and has the effect of depriving every osteopathic physician and surgeon in the country from participation in public-health work, even in his own community. Such a regulation would be outright discrimination, irrational and subversive of the cooperative ideal so important in all social legislation. With the intent of Congress so plainly manifested in prior legislation, as I have suggested, it may not be of imperative necessity that the Secretary of the Treasury be again specifically admonished against discriminatory preferences between practitioners of different schools of healing practice. Such discrimination is so far out of line with this prior expressed intention of Congress, with reason and with fairness, that this record warning ought to be sufficient. Furthermore, it ought not to be necessary for the osteopathic physicians and surgeons of this country to have to inject into every piece of legislation affecting the healing arts in this country a protection against discrimination or foul play. It should be understood, and it is undoubtedly the will of Congress, that legislation of medical importance applies four-square to practitioners of the healing art.

Next, I call your attention to title VII of the bill. This title is concerned with the furnishing of Federal funds in aid to the States in furtherance of maternal

and child care. Section 701, under this title, provides Federal allotment for the extension of maternal and child welfare, and maternity nursing services. Section 702, same title, provides Federal cooperation with State agencies concerned with rendering medical care and other services for crippled children. Section 703 of that title, extends Federal cooperation with State agencies who are engaged in public-health services, especially relating to the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent. Each of these three sections, which comprise the entire title, imposes upon the States as a condition precedent to an allotment of Federal funds, that each State legislate such a plan for the same general purposes as will meet the approval of the Children's Bureau of the United States Department of Labor. This provision, as it occurs in the respective sections, will be found in section 701 on page 53, in section 702 on page 55, and in section 703 on page 58. One of these conditions precedent, as outlined in this bill, is that it shall be incumbent on the State to specifically provide for itself and the purposes of this act, a plan of cooperation with medical, nursing, and welfare groups and organizations. Each State is thereby confronted with the proposition of erecting such a cooperative plan, whether it wills to do so or not. In addition, its plan must be so involved as to meet the preconceived notions of the Children's Bureau, else the plans will avail nothing so far as the purposes of this act are concerned. Under those circumstances, it is only sensible to conclude that the States are going to look to the Children's Bureau for guidance. They are going to ask the Children's Bureau, "What kind of a plan of cooperation, and how far in order to meet your approval?" These are questions of intimate concern to the medical and charitable institutions throughout the country. Any discrimination amongst these groups would be very unfortunate. As a matter of fact, so plain is the duty to avoid discrimination that it would ordinarily seem to be begging the question to suggest it. I am, however, compelled to do just that very thing—that is, suggest not only the possibility, but the probability of discrimination. I am moved to do so from experience with prior legislation of a similar character, and I am prepared to illustrate this suggestion by a recitation of that experience.

One of the fields of the Federal Emergency Relief Administration is the furnishing of medical service to those on the relief rolls. The cooperation of the medical professions is of vital importance in that connection. As a guide for the purpose of organizing and implementing this medical relief service, the Federal Emergency Relief Administration issued Rules and Regulations No. 7. Paragraph 1 of those regulations set forth the policy of the Administration to be recognition of the traditional family and family-physician relationship in the authorization of medical care. Section 3 of the regulations provided, I am now reading from the regulations on page 7, paragraph "(b) Licensed practitioners of medicine and related professions: When a program of medical care in the home for indigent persons has been officially adopted, participation shall be open to all physicians licensed to practice medicine in the State, subject to local statutory limitations and the general policy outlined in regulation 1, above." These two sections followed a general introduction in this language: "The conservation and maintenance of the public health is a primary function of our Government. In this emergency, the ingenuity of Federal, State, and local relief officials is being taxed to conserve available public funds and, at the same time, to give adequate relief to those in need. To assist State and local relief administrations in the achievement of these aims, with regard to medical care, two steps have been taken: First, to define the general scope of authorized medical care, where the expenditure of Federal Emergency Relief funds is involved; and second, to establish general regulations governing the provision of such medical care to recipients of unemployed relief."

In order to allay any possible misconstruction of the regulation confining participation to physicians "licensed to practice medicine" in the States, Dr. Chester D. Swope, Farragut Medical Building, Washington, D. C., chairman of the public-relations committee of the American Osteopathic Association, immediately on September 18, 1933, addressed a communication to Dr. H. Jackson Davis, consultant in medical care for the Federal Emergency Relief Administration. The language employed in that letter is its own best exponent. It reads as follows:

Dr. H. JACKSON DAVIS,  
Federal Emergency Relief Administration,  
State Office Building, Albany, N. Y.

DEAR DR. DAVIS: We are informed by the headquarters of the Federal Emergency Relief Administration that you are in charge of the medical relief department of the organization. In that connection, we wish to bring to your attention certain phraseology appearing in paragraph (b), section 3, of the Regulations Governing Medical Care Provided in the Home to Recipients of Unemployment Relief, Rules and Regulations No. 7.

Paragraph (b), entitled "Licensed practitioners of medicine and related professions", reads in part as follows: "When a program of medical care in the home for indigent persons has been officially adopted, participation shall be open to all physicians licensed to practice medicine in the State, \* \* \*." Elsewhere in the regulations the right of osteopathic physicians to participate is patent. The phrase "licensed to practice medicine", as used in (b) above mentioned, would undoubtedly be construed by court of law to include osteopathic physicians. Neither we nor you desire the necessity of resort to legal interpretation. On the other hand, we are bound to inform you that the choice of wording in this particular phrase is more than likely to cause misunderstanding in the State administration of the relief. This is no time for misunderstandings and we are quite confident that you will see fit to clarify the phraseology at the earliest possible moment. Will you, therefore, please inform this committee that participation is open to osteopathic physicians under the law and regulations of the Federal Emergency Relief Administration in like manner as in the case of reputable physicians of other schools of medicine.

Assuring you of our desire to cooperate to the utmost in the laudable undertakings of your administration, we beg to commend this matter to your earliest consideration.

Very truly yours,

C. D. SWOPE, D. O., *Chairman.*

On September 28, 1933, the consultant in medical care replied to this letter in the following terms:

Dr. CHESTER D. SWOPE,  
*Chairman Committee on Public Relations,*  
*American Osteopathic Association, Washington, D. C.*

DEAR DR. SWOPE: I note with interest the question which you raised in your recent letter in regard to the phraseology of paragraph (b) of Regulation No. 3, in the recently issued Federal Emergency Relief Administration Rules and Regulations No. 7.

Before discussing the point which you raise, I wish to point out the basic concept underlying these rules. The administration recognized the futility of promulgating any one set of hard and fast rules, complete to the last detail of policy and procedure, which would constitute a practical guide for providing adequate medical care in each city, county, and State in the Union. The administration was cognizant of the tremendous variation between the different States of the Union with regard to both the needs and facilities for medical, dental, and nursing care.

For the above reasons, the rules and regulations finally adopted by the Federal Emergency Relief Administration were designed to outline in broad terms the policies, procedures, and lines of authority in which each State could work out a program—for the provision of adequate medical care "in the home to recipients of unemployment relief"—which would be adapted to the peculiar needs, local statutory restrictions, and economic status in that particular State.

With this broad concept in mind, the phraseology in the first sentence of paragraph (b) of section 3, of the F. E. R. A. Rules and Regulations No. 7, was deliberately adopted to permit adjustment to the variations in statutory limitations on the practice of medicine in the different States.

The citation referred to reads as follows:

"(b) *Licensed practitioners of medicine and related professions.*—When a program of medical care in the home for indigent persons has been officially adopted, participation shall be open to all physicians licensed to practice medicine in the State, *subject to local statutory limitations* (italicizing mine) and the general policy outlined in regulation 1, above."

I note in your citation of the above sentence that you omitted the phrase which I have italicized, yet it is this very phrase which covers the only restriction on the participation of osteopathic physicians in any State program for medical relief in which State osteopaths are licensed practitioners of medicine.

For example, under the law in New York State, osteopaths are practitioners of medicine, subject only to the restrictions imposed by section 1262 of the education law, which reads in part:

"License to practice osteopathy shall not permit the holder thereof to administer drugs or perform surgical operations with the use of instruments."

Specific reference to "local statutory limitations" was made in the F. E. R. A. rules to emphasize the fact that participation in the officially adopted State program for medical care to indigent persons in their homes was open to "all physicians licensed to practice medicine in the State", where such practice was limited or unlimited.

The phraseology chosen may be interpreted as a deliberate recognition by the Administration that it would not be improper for local relief officials, in their discretion, to authorize duly licensed osteopaths to perform professional medical services, subject to the restrictions of law.

Very truly yours,

(Signed) H. JACKSON DAVIS  
H. JACKSON DAVIS, M. D.,  
*Consultant in Medical Care.*

HJD:AM

The obvious intention of Dr. Davis' interpretation was that, within the scope of their legal authorized practice, osteopathic physicians and surgeons were entitled to participation in this relief work in all the States. As questions arose before State relief administrators, this interpretation by Dr. Davis was brought to the attention of the administrators and relied upon in good faith as authorizing such participation.

About a year after the Dr. Davis letter, the Federal Emergency Relief Administration superseded its consultant in medical care by a medical director, a Dr. C. E. Waller, Assistant Surgeon General of the Public Health Service. Within a short time thereafter, there came to the attention of the public-relations committee a copy of a telegram addressed to the Montana State Relief Administration, over the signature of Dr. Waller, which read in part as follows: "If osteopaths are licensed to practice medicine in Montana, they are eligible to participate in medical relief program in that State, if not they must be considered ineligible." The Montana relief administration immediately called for an opinion of the Montana attorney general, and inasmuch as osteopaths are licensed to practice osteopathy in Montana, the opinion was that they are not licensed to practice medicine. That status of affairs, following, as it happened, upon the heels of a cooperative conference with Dr. Waller, and in direct contravention of the principle expressed in the Dr. Davis letter, evoked the following protest, which, it will be noted, was dispatched on November 14, and which to date has not received a reply.

Dr. C. E. WALLER,  
*Medical Director Federal Emergency Relief Administration,*  
*Washington, D. C.*

DEAR DR. WALLER: You will remember that I called on you a week or so ago with regard to certain difficulties that had been encountered in the States in the construction of Rules and Regulations No. 7 as they apply to participation by osteopathic physicians in medical relief. I told you at that time that on occasions where such misunderstanding arose the Dr. H. Jackson Davis letter on the problem had been sufficient to set the matter right. The object of my call was to increase the efficiency and the cooperation of the osteopathic profession with your organization here and in the States.

Dr. Davis' letter plainly holds the term "licensed to practice medicine" as used in paragraph (b), page 7, of Regulations No. 7, to mean healing art and goes on to say that the phrase "subject to local statutory limitations" is the only limitation on the extent of osteopathic participation. Now, the only sane conclusion from that interpretation is that Rules and Regulations No. 7 include osteopathic participation in every State. The exclusive connotation of the phrase "subject to local statutory limitations" is to avoid the construction that these regulations actually increase private practice rights beyond the source of all practice rights, namely, the licensing laws of the various States. We have gone on the assumption, and various State administrators have gone on the assumption, as both we and they had a right to do under the Dr. H. Jackson Davis letter, that osteopaths in every State were not only entitled to participate but under a duty to cooperate in performing this relief service. We have understood from the start that if in certain States osteopathic physicians were by State law inhibited against the use of surgery, then in those States osteopathic physicians could not resort to surgery in the Federal relief work. Within such limitations, however, we have assumed that their cooperation with you was not only desired but invited.

During my interview with you, I understood you to remark that you would not want to cram osteopathy down the throat of an unwilling State administrator. This is not a question of sensitiveness or likes and dislikes; it is a question of medical relief and any method which has a tendency to blight a profession recognized and licensed in every State of the Union is obviously "haywire" and ill-conceived.

I am just now in receipt of a copy of a telegram purporting to come from you. It was directed in answer to official inquiry on osteopathic participation in Montana. In that telegram it is said "if osteopaths are licensed to practice medicine in Montana they are eligible to participate in medical relief program in that State, if not they must be considered ineligible."

Previous to that telegram, the osteopathic physicians of Montana had prepared a participating agreement for the profession with the State relief officials in an effort to lend their best cooperation. Notwithstanding their obvious right to participate, you were apparently asked for an opinion and your opinion stated them to be ineligible unless "licensed to practice medicine." Certain of the State relief officials found some State court decisions holding that osteopaths in Montana are not authorized to practice medicine.

Now, this Montana example, in which you apparently participated, represents the very thing that I talked to you about. You well know that the term "medicine" has several meanings. In its general sense it means "healing art." In its restricted sense, so far as certain types of practice acts are concerned, it means a certain type of healing as distinguished from other types. The Dr. H. Jackson Davis letter, above mentioned, held that it meant healing art, as obviously the regulations were intended to be in general terms. Furthermore, the policy for medical care as enunciated in Regulations No. 7, F. E. R. A., stresses on page 2 of those regulations "the traditional family and family-physician relationship." Your interpretation coupled with the manner of its handling in Montana has the effect only of preserving or tending to preserve traditional family-physician relationship so long as the physician is an M. D. At least that would be true, except in cases such as Texas and Colorado, where every healing-art practitioner is "licensed to practice medicine." In the States such as those mentioned, where all healing-art practitioners are especially licensed to practice medicine, it is patently absurd to say that osteopaths in those States are entitled to participate, whereas in other States, even though their rights of practice may be absolutely equal, they are denied that right.

I wish further to call your attention to the fact that in the early days of osteopathy, osteopaths were frequently prosecuted for "practicing medicine." That fight has been resolved in the States for many years. Interpretations like yours to Montana will have a tendency to breed and revive again that old contention. Osteopaths in every State are licensed to practice their profession. It is true that their practice rights are limited in certain of the States, but in the broad sense of the term all of them are practitioners of medicine when we consider the term "medicine" as including the healing art. Osteopathy is a school of medicine just as allopathy and homeopathy are schools of medicine. Your construction of Regulations No. 7 has worked a discrimination against the osteopathic practitioners in Montana. If you cannot agree with the Dr. H. Jackson Davis' letter, or if in your opinion you are properly construing that letter, then we suggest that there is nothing holy about the wording of the regulations themselves, and we request that under those conditions you amend them to read "healing art", or in some other manner to do equity. If Dr. Davis' letter does not mean what we think it does, or is susceptible to varied interpretations, then we think it better to amend the regulations, rather than to construe constructions ad infinitum.

I have every desire to see this matter handled with dispatch, as I am sure you also desire it. There seems no reason at all why the osteopathic profession should be harassed by ambiguity. Their rights of participation are absolutely as are those of other schools of medicine, and State administrators should be given to understand that fact in no uncertain terms. I feel that this matter can be determined the most efficaciously in conference.

Very truly yours,

L. L. GOURLEY,  
Counsel Public Relations Committee,  
Washington, D. C.

LLG:AKS

The osteopathic profession has not sat back listlessly, refusing to cooperate or take part in national health programs. The profession in the States worked out plans of cooperation with the relief administrations. Some of these plans were

accepted in the States, but the present attitude of the Federal Emergency Relief Administration can have the effect of destroying whatever cooperation has been brought about. The osteopathic profession offered its assistance to the Committee on Economic Security. The consultation of the profession on these national and local health problems was not only unsolicited by that committee, but the profession has been consistently refused even the courtesy of official or unofficial inclusion in its deliberations. Under such conditions, and in view of the experience related, it can hardly be construed as borrowing trouble when we suggest the possibility of ultimate discrimination under the terms of this act, which are the handiwork of that committee.

In introducing our correspondence with Drs. Davis and Waller, it should be understood that we are in no sense engaging in personalities. It tells a vivid story of discrimination, and it tells it officially. Not only the propriety, but the actual necessity for introduction of this correspondence is further indicated by the fact that the administration of the provisions of titles I and II of this act is provided to be under the Federal Emergency Relief Administrator, in whose bailiwick originated the discriminatory practice forming the subject of the correspondence.

Title I of this Economic Security Act provides Federal aid to States for old-age assistance programs. The State in order to qualify for its allotment for these purposes is required to submit a plan for old-age assistance, including provision for reasonable subsistence compatible with decency and health. The Administrator will determine whether the State plan makes such reasonable provision. It is not too much to expect that in the evolution of these plans, it will be necessary to make the provision of such subsistence the most economical, and that will entail the provision of special medical care. The present attitude of the Federal Relief Administrator as reflected in that of his Medical Director would involve a condition upon the States that osteopathic physicians and surgeons be denied participation in such a medical service. The same conclusion applies to title II. Title II of the act provides Federal assistance to States for aid to dependent children, and requires submission of State plans to the Administrator for approval, which State plans must contain provision for reasonable subsistence compatible with decency and health.

As in title I, the provisions of title II may be construed to require that State plans so contemplated must include the provision of medical care. Now, if the Federal Emergency Relief Administrator is consistent, he will, as Administrator of the provisions of this title, impose limitations on the States, which will deny to osteopathic physicians and surgeons, participation in any medical services rendered in contemplation of provisions of this title.

Not only would such regulations deny Federal recognition; they would have the effect of establishing osteopathic exclusion by State law. That is not only a milestone in Federal regulation of the healing arts in the States; it is the exercise of an unfounded power to destroy them. This cannot be the intention of Congress, and the American Osteopathic Association appeals to this committee for an expression to that effect.

The following newspaper clipping was submitted for the record:

[From the San Francisco Chronicle, Feb. 3, 1935]

**TOWNSEND PLAN STIRS RUSH OF NATURALIZATION—CITIZENS' PAPERS SOUGHT TO GET PROPOSED \$200 PENSION**

The Townsend plan and fear of deportation are overloading the clerks in the United States naturalization offices in the post-office building.

Ever since the Los Angeles doctor put forward his plan to pay everybody more than 60 years old a pension of \$200 a month, the rush of foreigners to become American citizens has been record-breaking, Edward G. Cahill, immigration and naturalization supervisor, reported yesterday.

**SEEK SPENDING MONEY**

Decrepit applicants for citizenship papers—in sharp contrast to the usually hale, hearty, and youthful individuals—have been thronging the immigration offices in daily increasing numbers for weeks. And most of them frankly say they are after the \$200 a month spending money Dr. Townsend advocates.

They come leaning on canes and crutches, and in some instances supported by sturdy friends or relatives to sign their names in shaky penmanship to the papers that will make them subjects of Uncle Sam.

## BRIEF OF FRANK W. McCULLOCH, REPRESENTING THE CHICAGO WORKERS' COMMITTEE ON UNEMPLOYMENT

The organization which I am representing in this hearing is composed of unemployed and part-time workers in the city of Chicago. It numbers some 35 different local units and is affiliated with a State-wide federation of the unemployed, known as the "Illinois Workers Alliance." This State organization includes more than 225 local units numbering more than 50,000 men and women in its membership, all of whom are deeply concerned about the security program now being presented to the Congress.

The unemployed heartily endorse the principle of social responsibility for the burdens resulting from unemployment and the other hazards for which provision is made in the Wagner-Lewis bill. We are convinced that no private method of dealing with this problem of economic insecurity can be adequate to the need.

While supporting the basic purpose of this bill, however, we are convinced that without fundamental revisions it will fail tragically in meeting the present existing situation. It is commonly referred to as furnishing merely a first line of defense against the calamities of the next depression. The hardships and miseries of the present depression, however, are so keenly felt by millions of our men, women, and children that they will be intensely dissatisfied with any program which does not seek to provide immediate protection against the hunger, privation, and haunting fears which are their daily lot. We earnestly urge upon you, therefore, the consideration and enactment of amendments which will provide for immediate security, as well as security against future catastrophes. Anything less would be a mockery of the purposes which this bill proposes to serve, as well as a cruel disappointment to masses of the working people, who have been promised help in their present difficulties, as well as insurance against their future needs.

This principle has been embodied in legislation now pending before the House of Representatives, commonly known as "the Lundeen bill" (H. R. 2827). The Chicago workers committee has endorsed the basic provisions of this bill and it is receiving the support of a growing number of organizations of unemployed and employed workers, throughout the country. You may feel that the provision of immediate security is beyond the proper scope of the legislation before this committee. Perhaps you believe that the \$4,888,000,000 public works program sought to be initiated by other pending legislation makes an adequate program for the immediate relief of the unemployed. There is positively no justification, however, for such a feeling. The program does not purport to provide work for more than about a third of those presently unemployed for the limited period of 1 or possibly 1½ years. Meantime, the remaining 7½ million persons not given work must continue to subsist upon the meager doles now provided. If you believe that this subsistence is either adequate or humane, if you do not understand that it is destroying American standards of living, if you do not appreciate that it is causing incalculable human suffering and creating unheard of economic wastes due to our failure to employ this large supply of willing labor, I invite your careful study of the distribution of relief in almost any part of this country and the disastrous effects already apparent.

Above all, the great mass of the unemployed of this country want jobs. Our desire for an opportunity to earn our living, in a decent, self-respecting, American manner, is paramount. In view of the inadequacy of the present job program, however, the enactment of a security program which makes immediate provision for the needs of our families is essential, if wide-spread suffering and smouldering discontent are to be avoided.

It has been encouraging to have the Federal Government plan positive action to alleviate the hardships resulting from future insecurity. But here again the unemployed are convinced that the Wagner-Lewis bill in its present form does not make adequate provision. An undue reliance is placed upon the various States of the country to enact separate and sufficient security legislation. Some States are unable to do so. Others are presently unwilling. Such State systems as are initiated within the terms of the present bill may vary radically in the protections which they set up. We are convinced that if an adequate protection against the risk of unemployment is to be created there must at least be certain minimum standards set forth in the Federal legislation. Such minimum standards should cover the amount of the benefits to be paid, length of the waiting period, length of the period for payment of the benefits and qualifications for compensation. In this connection we believe that the benefit provisions recommended to the States by the Committee on Economic Security are not extensive enough to guarantee the maintenance of a proper standard of living over a sufficient period



of time. We hope that the bill may be amended to include minimum standards in line with those set forth in the Lundeen bill previously referred to. Nothing less than a Nation-wide system for such substantial protection to American laborers can insure a fair or adequate treatment of this problem.

All of you doubtless feel a very deep concern over the situation to which I have referred. Perhaps all would be willing to consider a more extensive program such as I have suggested if you felt that there were resources available for such a purpose. May I remind you, however, that there are other sources of funds which are not mentioned in this bill, which very readily occur to many American workers. We read, with what emotions I shall not attempt to describe, of increasing individual and corporate incomes in the higher brackets, as reported by the Bureau of Internal Revenue; we see rising prices and a scale of wages, which, in terms of buying power, is actually falling. As the emergency becomes greater and the maldistribution of wealth increases, it seems obvious that a considerable measure of support for the payment of immediate benefits to unemployed workers should be derived from sharply increased income, inheritance and gift taxes. Our organization is convinced that the system of protection which is set up in this security legislation should provide for a fund which is made up, at least in part, of State contributions derived from these sources. The justice of this proposal is equaled only by its soundness from the point of view of the total economic situation in the country today. No other presently accepted methods can be as effective in the necessary building up of purchasing power without reducing it at some other point.

When the unemployed hear of the difficulties which you face in planning for such an extensive and immediate security program, they also remember the fabulous sums that are appropriated by each Congress in the preparation for wars against other nations. To us the war against human suffering within the borders of our own country is of far greater significance. In view of the inadequate preparations for that war up to the present time it is no wonder that impractical propositions like those of the kindly Dr. Townsend evoke wide-spread popular support. It is for you, however, to make fundamental revisions in the present Security Act to speed its effectiveness and make more nearly adequate its much-vaunted protection. You should appreciate the growing sense of disillusion on the part of increasing numbers of hitherto patient American working people. I urge you, therefore, to respond to the imperative need, with a broadened legislative program for security, drawn up on the lines of the Lundeen bill.

Hon. Everett M. Dirksen submitted the following communication for the record:

ILLINOIS STATE MEDICAL SOCIETY,  
Monmouth, Ill., January 12, 1935.

*To His Excellency, the President of the United States, the honorable Members of Congress, and the Committee on Economic Security:*

#### PREAMBLE

The Illinois State Medical Society, through its council, wishes to call to your attention certain phases of the proposed health-insurance program, which may briefly but authoritatively explain why this body of 7,500 men is opposed to the experiment.

#### PROPOSENTS

Who are advocating health insurance? Who are urging its establishment? Not the indigent, for they cannot pay for it. Not the employed, for they prefer to choose for themselves how their money shall be spent and to whom paid. Labor unions have not asked for it, neither the so-called "white-collar class" nor the members of organized medicine who are essential to its success.

The agitation for official health insurance has come from other sources. Since neither the persons who are supposed to benefit therefrom nor the medical men who must provide the service have been interested in promoting the project, there is serious reason to believe that the scheme would be detrimental to both.

Wherever health insurance has been introduced little or no consideration has been given to the workers who were to become the patients or the physicians who were to supply the service.

The whole campaign has been interesting as well as depressing from a political standpoint, since it is questionable whether even the unselfish benevolence of mankind has done more good than harm by hasty interference with the natural evolution of social forces.

## THE NEED

There is no evidence that health-insurance scheme is needed by or would benefit the people of the United States. Health conditions generally are far better in America than in any other first-class nation, not excepting those where health-insurance schemes have been 50 years in force.

Statistics published by the League of Nations show clearly that the United States had a lower general death rate and a lower infant death rate in 1933, as well as a lower mortality and morbidity rate from diphtheria and tuberculosis than any other first-class power for which data are available, as the following table discloses:

*Mortality and morbidity, 1933*

	All deaths per 1,000 population	Infant deaths per 1,000 births	Diphtheria per 100,000 population	
			Deaths	Cases
United States.....	10.7	59	3.9	39
Germany.....	11.2	76	5.6	114
England and Wales.....	12.3	63	6.3	117
Scotland.....		81	7.2	180
France.....	15.8	75		50
Irish Free State.....	13.6	65	<sup>1</sup> 12.9	113
Poland.....	14.2	128	<sup>1</sup> 17.0	52
Illinois.....	10.5	49	1.7	22

<sup>1</sup> 1932.

Health improvement, moreover, has been more rapid in the United States than in any other nation except some with small homogeneous populations, and not a few of our States have health records which are unsurpassed. Such an improvement is convincing evidence that the system of medical practice and public health service prevailing in America is superior to any to be found elsewhere.

## PRIVATE ORGANIZATIONS

Such ventures cannot be administered by independent companies because the indigent class have no money for health insurance and the low-income class can be cared for only imperfectly by this system as crucial experiments in other nations have shown. No system of sickness insurance is, or can be supported entirely by the contributions of the beneficiaries nor yet with the help of employers. If not compulsory, the young and healthy will not join and the old and feeble, if accepted, will raise the cost to a prohibitive degree and if rejected will remove the protective feature and exclude those in most need.

Taxation is a necessary component, and the project does not lend itself like other forms of insurance to actuarial accuracy.

## FEDERAL SUBVENTION

Federal control is alone possible and this aspect of the plan presents many difficulties. The expense is enormous. In Germany \$300,000,000 and in Great Britain \$160,000,000 per year is spent for inferior work and on relatively small populations. In Germany 35,000,000 insured pay four times as much for medical care as 30,000,000 not insured. If all in the United States were insured the cost would be from 2 to 3 billions of dollars per year. If the unemployed and other classes are included, as they must be to give the scheme any value and completeness, the expense may easily rise to as much as 4 billions of dollars. Fifty percent of the income is usually accepted as the amount to be supplied by the Government for its share of this expense in management, and if the indigent are added the whole burden should be on Federal shoulders.

The difficulties arising from the administration of Emergency Relief in the United States will be multiplied many times over in the attempt to develop, rule, and guide a uniform insurance plan among the native, the naturalized, and widely diverse State populations, some of which have as high as 50 percent colored voters without taxable property (Mississippi and South Carolina), while even the various counties of many highly advanced commonwealths will not consent to regimentation. Many years must elapse before the infinite complexities of this Nation can be conducted from a single center.

## COURSE OF THE ENTERPRISE AND CONSEQUENCES

Ultimately the effort results in an enormous bureaucracy. In Germany there are 2,000 more insurance administrators than physicians in the Krankenkassen. The political control is injurious to the system, unfair to the patient, disheartening to the doctor, and destructive to the proper practice of medicine.

The conduct of a compulsory and often almost universal health and medical service placed in the hands of a lay board, or commission means that this vast project is entrusted to people wholly unfitted for the task and unfamiliar with its problems. Furthermore, such organizations soon become so powerful financially and politically that they cannot be altered or dislodged as welfare workers are well aware.

When benefits are distributed to individuals through an extensive administrative group with numerous employees the combination quickly becomes a gigantic and extremely powerful political machine, a plaything of politics.

This very natural result advances the directoral body in power but always affects the quality of medical service injuriously. Restrictions on scientific practice are imposed by lay administrators which benefit the politics and the treasury of the organization rather than the patient.

## EFFECTS OF THIS SPECULATION UPON THE PATIENT

*Sickness insurance is a source of degradation and mental degeneration to the insured.*

The patient malingers, or is suspected of it, and his feelings are hurt by the inquiry or antagonized by discovery. Much time is wasted in bringing this fraud to light. Sickness insurance creates neuroses and prevents their proper and efficient treatment. The greed to get something back for money spent is always present among the insured and urges them to seek aid. Prescriptions, expensive and often not needed, are regularly demanded and either the patient is served or the doctor is criticized, even cashiered.

Sickness is often an economic problem rather than pathologic. Sickness insurance is a form of deadly infection which creates a constantly increasing amount of illness and emasculates the individual by depriving him of his courage, sense of responsibility and manhood. He becomes fundamentally a chronic and demoralized invalid.

In England 14 out of 100 claimed sickness benefits in 1921 and this grew to 23 in 1927. With unmarried women the proportion grew from 12 to 21 and for married women from 19 to 38 out of each 100 applicants.

According to estimates, from 60 to 75 percent of those who come for medical attention do not need it. If told so they are displeased and flock to quacks who must be paid for their services. In only 5 of 19 countries having national insurance were the patients satisfied with the service.

The occasional lack of adequate medical care furthermore results oftener from the indifference of the people than from economic stress. The Metropolitan Life Insurance Co. learned from a house-to-house canvass of several thousand families that the majority of parents who had failed to have their children inoculated against diphtheria recognized its benefit and believed in preventive medicine but neglected to have it done. Would health insurance correct such heedlessness?

The entire history of health insurance has proved that "sickness" is an indefinable condition which is often coveted by the insured person with no desire to get well.

## EFFECTS UPON THE PRACTICE OF MEDICINE

The practice of medicine is mechanized unduly, personal responsibility diminished, diagnosis crippled, research hampered, and so much time wasted on the urgencies of the would-be sick that none is left for the really disabled.

The efforts of societies and lay boards are directed everywhere toward the destruction of the professional status and its replacement by an industrial contract.

The question of a free choice of physician is antagonized and restricted by the insurance administrator since only those doctors will be chosen, he contends, who are liberal with certificates of incapacity for work and generous with drugs, for all insurance schemes lead to expensive over-medication. German physicians report that the insured patients will use ten times as much medicine as the uninsured.

## EFFECT UPON THE PHYSICIANS

The insurance code demands constant expansion of medical service, while the management at the same time fights adequate medical compensation. The doctor is over busy. He has no time to renovate his ideas by consulting the monthly records of medical progress.

The personal relation of patient and physician is destroyed and a purely cash connection retained with the organization. Commercialism is rampant and professional control of the medical problem eliminated. Insurance service is always second class since the better practitioners will not apply. In only 6 of the 19 countries having national insurance were the doctors satisfied with the service.

In view of these facts, the medical profession of Illinois feels that more prolonged study is required for the proper solution of this medical problem and for the present, the members of this society desire opportunity to practice medicine as hitherto for the best interests of the public without domination by laymen, either social service workers, political appointees or any others who have no experience with difficulties inherent to medical practice.

In conclusion let it be emphasized by repetition that all available statistics demonstrate that health conditions prevailing in Illinois are distinctly superior to those in the nation at large, and that the latter, as previously pointed out, easily surpass those in nations where health insurance schemes have been adopted.

Respectfully submitted.

ILLINOIS STATE MEDICAL SOCIETY,  
CHARLES B. REED, M. D., *Chairman*.  
CHARLES J. WHEALEN, M. D.  
JOHN R. NEAL, M. D.

Mr. Woodruff submitted, the following clipping from the Detroit Evening Times, February 1, 1935, for the record:

#### HANEY CLAIMS "TOWNSEND TAX" MUST COME FROM PEOPLE'S EARNINGS

LEVY INCREASE MUST RESULT, HE SAYS

(By Lewis Haney, Professor of Economics, New York University)

NEW YORK, February 1.—It is astounding how much confusion of thought has arisen concerning the Townsend plan.

Turnover is being thought of as if separated from sales. The Government is supposed to be able to pay billions of dollars without its costing anybody anything. Taxes are to be levied without hurting taxpayers. Wealth is to be increased by merely printing bonds or notes.

Take turnover for example. They say turnover is not income and that transactions are not sales. But turnover is merely the number of times a business man's capital stock goes into his annual sales. Take any given sum, and the turnover is just in proportion to sales. If there are 10 turnovers instead of 2, the sales are 5 times as large.

You can't tax turnover. The tax has to come out of the sales dollars. Turnover means nothing aside from total national income and the total of retail sales, and each of these is probably not over 50 billion dollars.

#### SOURCE OF TAX

This means that the Townsend tax must come either out of the merchant's profit or out of the customer's pocket. It means that the Townsend tax has to come out of the Nation's retail bill, out of the people's retail expenses or the retailer's earnings. There is nowhere else for it to come from.

A business man can't make money by turnover alone. If he loses on each sale, the larger his sales (the more turnovers he has) the larger is his total loss.

The more turnovers, the more sales and the more taxes. If the merchant pays the tax it reduces his profit, and if it causes a loss on each transaction, the more turnovers, the more he loses.

If all the proposed billions do not come out of a tax paid by business men or their customers, where is the money to come from? If 34 billion dollars are to be given by the Government, how will the Government get the money?

## NECESSARY TO BORROW

To start the thing off for the first month it would be necessary either to borrow 2 billion dollars or to print greenbacks for that amount. Then, if the old folks spend this, the proposed 2 percent tax on the resulting transactions or sales for the month would bring in only \$40,000,000.

The next month 2 billion dollars more would have to be advanced by the Government, so that (insofar as the old folks' spending is concerned), \$1,960,000,000 would then have to be raised. Even if you figure the tax on other people's spending, too, the Government would still have to raise something like half a billion.

All this means public debt and inflation.

They fall back on the war and say the Government borrowed and spent billions then. So what? Where is all that money now? Where are the bank deposits "created" in those wild days? Where is the turnover?

The answer is seen in the present business prostration and unemployment. Do we want to try that game again?

## REDUCED SPENDING

They say the Government will save in reduced bills for charitable and penal institutions, pensions, etc. That is very doubtful, but suppose it were true. Don't you see that it would mean reduced spending? If the Government were to cut its expenditures for charity, etc., as much as it increased expenditures for the Townsend old age army, there would be no increase in money circulation at all.

The long and short of it is that—

1. No Government can give billions of money to any class without (a) raising taxes, paid by other classes, or (b) going into debt, or (c) issuing fiat paper money (greenbacks).

2. Any tax has to be paid by the people, and is a burden to somebody.

3. Turnover depends on sales.

If the Townsend plan is designed to create purchasing power and stimulate business by inflating currency, why not give \$2,000 to everybody every week? That question can't be honestly answered. If the Government can afford 24 billion dollars, it could afford 240 billion dollars. If forced monthly spending is good, weekly spending would be better. If it is good to give old folks money to spend, it is better to give it young folks, too.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 4 p. m., an adjournment was taken until 10 a. m., Wednesday, Feb. 13, 1935.)