

My idea on these matters is that if we adopt a Federal program further assisting the States with reference to old-age pensions, we follow that with a program which some of the States need—I think the State of Ohio does—very badly, a program to rebuild these unfortunates; and, if we do that, we will be making a pretty long step in the right direction, in one session of Congress.

Secretary PERKINS. It would be very good, but it is not adequate unless you take into consideration the complicating factor of recurrent unemployment, which is the greatest hazard which people face, without regard to their physical handicaps. People of sufficiently good and sound physical condition face this handicap of unemployment. They find themselves in a situation over which they have no control and which they cannot personally foresee. I would not want for one moment to be understood as discouraging any State from making the most ample provision for the blind and the crippled and the handicapped of all sorts.

Mr. JENKINS. That is all, Mr. Chairman.

Mr. TREADWAY. Madam Secretary, may I ask how the amount was arrived at, that is in title I of the act? I believe the amount is \$125,000,000.

Secretary PERKINS. This, of course, was arrived at on an estimate of what will likely be necessary to appropriate in the next year. The appropriation is indicated for the first year as \$50,000,000. That is based upon the States which now have old-age pension laws and the demands which they are likely to make for assistance in meeting their requirements. The estimate of \$125,000,000 is based on an estimate of the number of States which are likely to pass old-age assistance laws within the next year, and therefore depend upon the Federal Government to match their appropriations.

It may be it is true that that may not be sufficient to meet the requests of those States. It was estimated that that would be about the amount that would be needed—maybe a little less, maybe a little more. This is only an authorization to appropriate.

Mr. TREADWAY. Have you carried it on beyond 1937, as to the likely expense on the part of the Government, provided, of course, the States adopted the plan as rapidly as your committee hopes they will?

Secretary PERKINS. We have, sir; because it is understood that after the beginning of the collection of the tax to provide for a self-sustaining old-age annuity system, the Government will borrow from that fund to pay the pensions of those who are now aged and dependent. You could arrive at it another way, if you wanted to, and provide for the continuing appropriation out of a general tax budget of up to a much larger sum than this—\$200,000,000, \$300,000,000, \$400,000,000 a year.

Mr. TREADWAY. According to the percentage that you charge as a tax.

Secretary PERKINS. Exactly.

Mr. TREADWAY. How much was it you said yesterday, 1 percent?

Secretary PERKINS. We have given the actuaries 1 percent as the general assumption upon which they have based their plan.

Mr. TREADWAY. And that was to bring in about \$200,000,000 per year?

Secretary PERKINS. That would bring in more than that.

Mr. TREADWAY. One percent?

Secretary PERKINS. Yes.

Mr. TREADWAY. \$1,000,000,000?

Secretary PERKINS. The pay roll of the United States is between 20 and 30 billions per year. It is a little difficult to estimate it, because the number of those persons who may be outside the general coverage of this act is not quite certain, in advance of a little experience in the matter. But it will bring in in the neighborhood of \$300,000,000 per year.

Mr. TREADWAY. Then is it the expectation of the commission that after the tax was started to be collected or after the machinery gets into operation, the tax will relieve the Government of any larger appropriation than the \$125,000,000 specified here in this system of borrowing to which you have referred?

Secretary PERKINS. If you continue the system of borrowing for old-age pensions from the fund which is being built up to pay old-age annuities—if you continue that system, after a few years it will not be necessary to make appropriations from general tax receipts to pay the remaining years of life of old-age pensions to those now aged and indigent.

Mr. TREADWAY. I notice that you speak only of old-age pensions. Assuming your whole measure here will become law, where do we stand financially, if all the benefits provided in the bill are put into effect?

Secretary PERKINS. Old-age pensions and old-age annuities have been thought of as having in mind the same general principle, that is, the prevention of poverty and need among aged persons.

It has, therefore, been our conception that the wise way to proceed would be for the Government to borrow from the old-age annuity fund to pay the old-age pensions.

You could, however, permit the old-age annuity fund to accumulate and pay pensions out of general taxation, which would be imposed from year to year. I take it that you are referring to the other appropriations which are indicated; namely, the appropriations for the relief of dependent children, for the stabilization of the condition of dependent children, for the crippled children, for public health, and for matters of that sort.

Mr. TREADWAY. And unemployment.

Secretary PERKINS. Well, unemployment will take care of itself. The unemployment-insurance fund will take care of itself without appropriations from the Federal Government.

Mr. TREADWAY. You do not expect that to be an expense on the Federal Government, then?

Secretary PERKINS. Under this plan, that will not be necessary. That is an insurance fund based upon the collection of premiums during the working life of individuals. Those premiums will be sufficient to pay the benefits that are allowed under any law, when a person is unemployed, and that will not come upon the Federal Government for support.

There will, however, be, if you carry out the other aspects of this proposal, namely, provision for dependent children, provision for handicapped children, provision for public health, and provision for public works, integrated with the plan of unemployment insurance, so that after an unemployment cash benefit a man will be entitled

in a long depression to the right to have a job on public works; if you do that, there will be the necessity of making appropriations annually out of the general-tax funds to maintain the other aspects of the program; but not old-age annuities and not unemployment benefits.

Mr. TREADWAY. In other words, the actuarial tables or actuarial prophecies indicate that the unemployment fund will be paid for by employers and employees, and an accumulation will arise by reason of which there will be no deficit for the Federal Government to make up. Is that approximately correct, Madam Secretary?

Secretary PERKINS. Yes, sir. You see, it is recommended by this committee that the unemployment-insurance measure be enacted by the States and not by the Federal Government and that is sufficient, almost, to insure that the Federal Government will not be called upon to make appropriations to the funds unless the benefits are extended by the States, with the consent of the Federal Government, which will at that time enter into the question of whether or not it desires to make appropriations from taxation, which I think is most unlikely.

Mr. TREADWAY. I noticed in the Congressional Record this morning a memorandum inserted by a Senator that very seriously questions the adequacy of the \$125,000,000 to pay a \$15 benefit on the part of the Federal Government, assuming that the States match the \$15. The calculation there is that it would require something like \$700,000,000 if the law were put into effect. That was really the basis of my interrogatories, in order that I may get your reaction as to the actual cost that this proposal would put upon the Federal Government.

I realize that you cannot, in a social insurance proposition like this, measure every dollar. This is not a financial matter, in other words, at all. It is a matter of the preservation of the people's well-being.

I realize that it is not to be looked on purely as a business transaction would be.

Secretary PERKINS. That is true.

Mr. TREADWAY. Nevertheless, it seems to me it is our duty on this committee to develop, if we can, the financial picture. I think that is specifically our duty.

Secretary PERKINS. I think so, too.

Mr. TREADWAY. You have undertaken the work of showing the Congress the manner in which this social insurance can be brought about. But it does seem to me, as I have said, that we ought to study very carefully the financial responsibilities as they affect the Federal Government. Do you agree with that?

Secretary PERKINS. I do agree with you, sir. I think that we should, so far as we are able, look ahead into the total costs. I think that is a very reasonable and sensible thing to do.

As I said yesterday, the relief agencies say that there are today about 1,000,000 persons 65 years of age and over who are on relief, actually on relief. There is an unestimated number of persons, in addition to that, 65 years of age and over, who are dependent, but who have not come upon any form of public relief for their assistance. All of those will, presumably, make application to be covered by the old-age pension system.

Mr. TREADWAY. To the relief of the other agencies that are now aiding them?

Secretary PERKINS. Yes. There are 1,000,000 such people now on relief in some way or other, who are being sustained out of public funds, and there will be others who will be added.

Mr. LEWIS. Will the gentleman yield?

Mr. TREADWAY. I yield for a question, or an interruption, but I do not yield the floor.

Mr. LEWIS. As throwing some light upon the gross possibilities of the burden, Australia affords, I think, perhaps, the longest experience of any country presenting a social distribution of wealth comparable with our own. The Australian experience has been that just 35 percent of those eligible at 60 years for women and 65 for men have become dependent pensioners. I regard the Australian experience as of real value for us here.

Mr. COOPER. Will the gentleman yield?

Mr. TREADWAY. I yield for an interruption only.

Mr. COOPER. As a further suggestion along that line, just to refresh the gentleman's memory, I recall that Dr. Witte, in the course of his statement, covered that point and stated, as I recall, that we now have 28 States of the Union with old-age pensions laws; and that the total amount expended has only reached \$31,000,000.

Mr. TREADWAY. But would not this be true, Mr. Cooper, that the Federal Government is always removed, in the minds of State officials, from the closeness to the individual taxpayer that the State bears to him? In other words, they would be more careful of their appropriations made under the State government than they will if they think that the Federal Government is going to collect these payments?

Mr. COOPER. Under this plan, every time the Federal Government puts up a dollar, the State has to, also.

Secretary PERKINS. Yes.

Mr. TREADWAY. Certainly, it is a 50-50 proposition.

Mr. COOPER. Yes. There will be that same incentive for them to conserve their own resources, because of the fact that they are putting up a dollar every time the Federal Government does so.

Secretary PERKINS. Yes, I think so, too. You see, there is a definite limit to the amount that the Federal Government will appropriate—namely, \$15 per case. So that, if the States want to go beyond that, they have got to pay the addition themselves. It may be necessary and desirable that they should pay more.

Mr. TREADWAY. The proposal of paying \$15 was one reason for the argument that is in the Record this morning, and, rather than take your time in discussing that just at this moment, Madam Secretary, would you be kind enough to look that item over and add to your remarks your comment on it? I should appreciate it very much.

Secretary PERKINS. I shall be very glad to, sir. I wish to say this, however, that one realizes that the item of \$125,000,000 which is hereby authorized to be appropriated, in this bill which is before you, is an estimate, pure and simple. It is an estimate, taking into consideration the likelihood of various States adopting a cooperative bill before the collection of the tax begins.

Mr. TREADWAY. There are just two other matters that I would like to have you give us your views on. First, in various places in the bill there are certain tax charges. For instance, there is the tax

of 3 percent on employers' pay rolls. In the aggregate, taking all the sections of the bill, how much will the tax amount to? There is one item of 3 percent and in another place there is a tax that is on the employer and the employee. I do not know how many other taxes there are. How much will that amount to, in the aggregate, in percentage of pay roll, or in any other way in which the tax is levied?

Secretary PERKINS. The 3-percent tax against pay rolls for unemployment provided for—this is not for unemployment provided for in that section of the report that deals with unemployment insurance—will aggregate somewhere about \$600,000,000 a year. That, of course, is on the assumption that no State will pass an unemployment-insurance law. If States pass unemployment-insurance laws, the tax will not be collected. For every State that passes an unemployment-insurance law, the tax will not be collected. But a contribution will be made into an unemployment-insurance fund in that State. So that the aggregation is a purely theoretical aggregation of taxes. When you come to the tax of 1 percent for old-age pensions, which is to be divided between the employers and the employees equally, you aggregate about \$200,000,000 per year.

Mr. TREADWAY. Are those the only two places where any tax items occur?

Secretary PERKINS. Yes.

Mr. TREADWAY. I thought there were others; there is none with respect to the public-health work?

Secretary PERKINS. No. That is just an appropriation from general funds, relatively small.

Mr. TREADWAY. So that really the total that you provide for in this measure, if the bill is adopted in whole, is 4 percent on employers?

Secretary PERKINS. Yes. That is, it is not 4 percent on employers—

Mr. TREADWAY. Three and a half percent and one; is that it?

Secretary PERKINS. It is 3 percent and a half of 1 percent on employers.

Mr. TREADWAY. Yes; half of 1 percent is added to the employers' tax under—

Secretary PERKINS. Old age.

Mr. TREADWAY. That is under mutual agreement, with the other half being on the employee.

Secretary PERKINS. Yes.

Mr. TREADWAY. That explains that. There is just one other item, and I am sorry that I am taking this much time.

Mr. VINSON. In that connection, will the gentleman yield on that point, on that thought?

Mr. TREADWAY. Certainly.

Mr. VINSON. Madam Secretary, we are prone to think of this fund as having to be realized from the revenue of the 3-percent tax for unemployment insurance and one-half of 1 percent, or whatever rate is used, for the old-age benefits or the contributory annuities, as an added burden. But the fact is that every governmental unit in the United States today is already burdened with these problems and is expending considerable sums, in the aggregate, hundreds of millions of dollars, now.

Secretary PERKINS. Yes.

Mr. VINSON. And this fund that will be realized in this way is really not an added expenditure or an added burden.

Secretary PERKINS. That is true. This will be a substitute, in a very large measure, for the relief burden which many States and localities bear. That is true, sir.

Mr. TREADWAY. Just one other thought, if I may. As the chairman stated, and I think he has told the committee heretofore, administration witnesses such as those who might be recommended by you or your associates will be called before the committee. But I notice in our assignments of witnesses that they are all officials. Would it not be advisable, in view of the tremendous scope of this measure, to get what reports we can of experienced business people; to get them to testify as to how various procedures have worked out? I notice on your advisory committee there are people of great experience. There are five or six officials of business organizations. I only know them by reputation. I do not know any of them individually, personally. You also have a governor, and you have the master of the National Grange.

Would it not be wise to hear the experience, for instance, of life-insurance people, or the experiences of people in industries such as are represented by the General Electric Co., along the lines of unemployment and old-age pensions, and so forth, to see if we can get a picture from their experience which might not, perhaps, always agree with the administration's viewpoint?

I think it would be to your advantage, referring to you as a member of the administration. And would it not be advantageous for us to get as broad a scope as possible as the basis of opinions on such matters as are contained in this bill?

Secretary PERKINS. We consulted all of these people ourselves, Mr. Congressman.

Mr. TREADWAY. I realize that.

Secretary PERKINS. And I assume that this committee will wish to call before them anyone who they think is a proper person and experienced in the field. That will be for your committee to determine.

Mr. CULLEN. Will the gentleman yield?

Mr. TREADWAY. Certainly.

Mr. CULLEN. Referring to the people who have been mentioned by the gentleman from Massachusetts, it is my thought, and I think the Secretary will bear me out, that these individuals have participated in the make-up of the bill now before us.

Mr. TREADWAY. The Secretary just said that.

Mr. CULLEN. Yes.

Mr. TREADWAY. On the other hand, if they appeared, they could give us the benefit of their own experiences in these matters. But I am not speaking of these individuals only. I am speaking of such people as might be brought to the attention of the committee by representatives outside of the administration who have had experience in just this sort of activity; that is, the practical side of this sort of legislation.

Mr. CULLEN. If you will bear with me just a moment further, in other words, you would like to have some of these individuals appear

before the committee and give testimony as to the wisdom of this proposed legislation.

Mr. TREADWAY. And their experience, if they have had any, in their business connections, in these matters.

Secretary PERKINS. I assume that your committee will call whoever is in a position to give you any help and assistance and information.

Mr. McCORMACK. May I make the suggestion to you, Mr. Treadway, that I think it is a very excellent idea you have in mind. But I think the committee itself should decide whom to call before the committee. I think it is an excellent idea to have all the evidence we can presented to the committee on these subjects, and particularly where their testimony is in support of the bill, it would have a very good psychological effect. But I think that the committee should pass on such a matter.

Mr. TREADWAY. Yes, I agree with you, and I withdraw any reference to that in the record.

Mr. KNUTSON. Will the gentleman yield?

Mr. TREADWAY. I yield to Mr. Knutson.

Mr. KNUTSON. Madam Secretary, what percentage of the employed are laid off when they reach the age of 50? Have you any figures on that?

Secretary PERKINS. There are no known figures on that subject, sir. The age at which people find it difficult to find new jobs in industry has been decreasing, has been getting lower and lower over the last 25 years.

The laying off of a person who is 55 is not nearly so common as the refusal to hire for the first time, a new employee who is 55 years of age.

Mr. KNUTSON. That is in part due to the fact that the group-insurance rates increase with the age of those who are employed?

Secretary PERKINS. That is partly true, sir; yes.

Mr. KNUTSON. And it is a matter of economy to the person taking out the insurance. So that it behooves us to make some sort of provision for those who are unemployed because of age. Have you any information as to the number who are 60 and past who were unemployed before the depression set in?

Secretary PERKINS. I do not think there are any such figures in existence, sir. There has been a lot of speculation, but no real information on the subject.

Unemployed because of age, you mean?

Mr. KNUTSON. Yes.

Secretary PERKINS. Over 60; there is no real information on that subject.

Mr. KNUTSON. But the tendency is to employ younger and younger people, and to dispense with the services of all people who are 55 or 60, in industry.

Secretary PERKINS. There is a tendency in the highly mechanical industries not to employ for the first time persons who are past early middle life. I do not think you can honestly say there is a tendency to lay off people who have been in the employ for a number of years, merely because they have reached age 50. But there is a tendency not to give a new job to a man of 50 or 55, if there is a man of 30 available, who has the same skill, other things being equal.

Mr. KNUTSON. There is no place for them to go when they are once let out.

Secretary PERKINS. In their own trade; that is correct.

Mr. KNUTSON. It is a difficult business.

Secretary PERKINS. That is correct.

Mr. KNUTSON. Madam Secretary, do you care to express any opinion with reference to a new plan that originated out West, I think out in California; I think it is called the Townsend plan?

Secretary PERKINS. It is not an insurance plan, sir.

Mr. KNUTSON. It is an old-age insurance plan.

Secretary PERKINS. It is not insurance. It is a dole. The proposal is, as I understand it, to provide a dole to all aged persons. Insurance implies that premiums have been paid in advance to cover the particular risk which is assumed. The plan to which you refer is not that at all, but is a mere appropriation of a large monthly income without any preliminary contribution, any preliminary cash contribution to support the payments that are to be made.

Mr. KNUTSON. I have a part of a document here that someone sent me which says that the plan demands that the National Government request all citizens of 60 years and over who can do so to retire from salaried positions and accept the important task of circulating \$200 per month for the remainder of their lives.

Of course, we all realize that the more business there is, the more prosperous we are. Perhaps some such plan could be worked out. How much consideration was given to a proposal such as this?

Secretary PERKINS. Well, a real consideration was given to it, because it became a popular newspaper subject of discussion this summer, so that it was looked into sufficiently to make an estimate of what it would cost. Two hundred dollars a month to every person now over 60 years of age would amount to something considerably more than one half of the total national income of the U. S. A., and it seems almost fantastic to estimate a solid, substantial insurance scheme in any such terms as that.

So that, although we gave it consideration, it was only given consideration to the extent of seeing that it was, from the point of view of our present financial structure, quite impossible; and that we must give our more serious and thorough attention to methods that seem more practical.

Mr. KNUTSON. Of course, the plan that has been submitted to this committee is going to prove rather disappointing to those who were expecting something like \$200 a month.

Secretary PERKINS. Well, sir, the Government is not responsible for their having assumed that; so far as I know, no responsible officer of the Government has ever for one moment indicated that any such program was even possible or thinkable.

The CHAIRMAN. The Chair would like to make this observation. When one member is examining the witness, if that member yields, he yields it not for a long statement or for a series of questions, not to take the witness from him, but merely for a question or the interjection of a remark. To yield the floor to someone else will demoralize the procedure of the committee.

Mr. KNUTSON. Mr. Chairman, I asked the gentleman to yield to me at that particular point. I thought what I had in mind was apropos at that particular time, and I am sorry I have taken so much time.

The CHAIRMAN. Mr. Treadway still has the floor.

Mr. TREADWAY. There is just one explanation, one further detail regarding the aggregate amount of the tax, that I should like to inquire about. I think we left the discussion with the idea that the highest amount would be 3½ percent on the employer and a half percent on the employee.

Secretary PERKINS. Yes, sir.

Mr. TREADWAY. Under title III there is a step-up so that I think we ought to make sure that we understand each other in that particular.

Secretary PERKINS. Yes, sir.

Mr. TREADWAY. I felt when we finished that it meant 3½ percent and one-half percent permanently.

Secretary PERKINS. I am sorry; sir.

Mr. TREADWAY. It is not your fault at all, Madam. But under the provisions of title III, it goes up in 10 years, does it not?

Secretary PERKINS. It goes up in 20 years to 5 percent; 2½ percent on the employer and 2½ percent on the employee.

Mr. TREADWAY. Two and a half percent on each party?

Secretary PERKINS. Yes, sir.

Mr. TREADWAY. That is in 20 years. There is a gradual increase—

Secretary PERKINS. In increments of 5 years.

Mr. TREADWAY. From now on?

Secretary PERKINS. Yes.

Mr. TREADWAY. From the time of the adoption of the law?

Secretary PERKINS. In 5-year periods.

Mr. TREADWAY. I think, just as a matter of clarification of the record, we ought to make that explanation.

Secretary PERKINS. This, of course, is the idea. The reason for putting it on an increment basis like this is to distribute the contribution in some terms that will make those who are themselves growing older and coming nearer to their time of collection, begin to pay for the increased benefits.

Mr. TREADWAY. I see your theory. Now, in 20 years, on the basis of the estimate which you have given us, each party, the employer and the employee, would contribute \$1,000,000,000 a year.

Secretary PERKINS. Nearer \$500,000,000 apiece.

Mr. TREADWAY. And that would develop a fund of \$1,000,000,000 a year?

Secretary PERKINS. Yes, sir; which would be necessary if you anticipate paying benefits to all people who will be eligible from that time on.

Mr. TREADWAY. I thank you very much, Madam Secretary.

The CHAIRMAN. Madam Secretary, my colleague very pertinently raised the question of the charge that this bill would entail on the Treasury in connection with the payments of benefits under the old-age pension provision. Something was said about an estimate of \$700,000,000 a year that appeared in the press this morning. The bill provides for a payment which, in the testimony, it has been estimated for this year would be \$50,000,000 as you stated, and next year \$125,000,000.

I would like to ask if that estimate was made after a careful study by experts, those who are in a position to know and who are well qualified to make as intelligent an estimate as possible?

Secretary PERKINS. Yes, sir. Of course, there is a certain element of uncertainty in it, because one cannot say at this moment how many of the States who now do not have old-age pension laws will, in the next 12 months, adopt old-age pension laws, and so be in a position to take advantage of this or to make a request for an appropriation, a matching appropriation from the Federal Government. That, I suppose, no one can determine with any accuracy, as it depends upon the will of the elected representatives of the people in that State.

The amount \$125,000,000 has to be an estimate. It is our judgment that this will pretty nearly represent it. However, we must anticipate that appropriations necessary to meet the old-age pensions, if they are not borrowed out of the fund collected for old-age annuities, will increase considerably over a period of years, will increase to \$200,000,000, to \$300,000,000, to \$400,000,000, to \$500,000,000, if they are not borrowed from the old-age annuity fund.

You have got to pay for it one way or another. You have either got to pay for the grants out of taxes, out of the general taxes, and make an annual appropriation to match the States for old-age pensions; that is, noncontributing pensions to persons who are now 65 years of age and over, or you have to borrow from the gradually accumulating fund which is being collected under the old-age annuity plan. And if you borrow from the fund, you have got to repay it some time.

The CHAIRMAN. There is much discussion throughout the country, and we are receiving in our offices large numbers of communications, relative to the Townsend plan. I assume you have given some careful consideration to that proposal.

Secretary PERKINS. Yes, sir.

The CHAIRMAN. Will you favor us with a statement of your opinion regarding that?

Secretary PERKINS. I think, sir, without wishing to pass over the very honest aspiration which is apparently involved in that plan, it is a system which we are not prepared to carry through under our present financial, economic, and political structure. It amounts to a dole, a very large present, just a gift, to all persons who are 60 years of age and over; a very large gift, sometimes much, much larger than the income which they enjoyed during their younger and working years.

It has, of course, in it what the Germans call the "hot-money theory"; that is, the theory that the \$200 per month will be spent within the month.

The whole plan rests upon the assumption that you can make these appropriations and that purchasing power will develop immediately sufficient to increase the demand upon the markets for consumption of goods so rapidly that you will at once stimulate the industries to produce consumption goods, and that you will get, therefore, that rapid turnover of income which is so desirable.

Our opinion, on canvassing it, was that the costs were so large in the beginning as to be prohibitive from any sensible and practical consideration; and that the plan was fantastic, that it had certainly no right to the title of insurance, as there is no preliminary payment.

by anyone in the form of a premium to provide for this large appropriation.

I think we reckoned that it would mean an appropriation of about 20 billion dollars the first year. I do not know whether any Congress that has ever been elected can face that. But, so far as I am concerned, I cannot even think about it. It seemed to me to be in the realm of fancy rather than in the realm of practical statesmanship.

The CHAIRMAN. May I ask you this question, Madam Secretary? If people, in their younger days, in the days of their active business life, had the assurance of a governmental pension or bounty of \$200 per month when they reached the age of 60, would it not have a tendency to remove the incentive to thrift?

Secretary PERKINS. I do not think the incentive to thrift rests upon any of these things. Some of the thriftiest people I have ever known have been people who have had the largest incomes and had them from quite certain sources, and the thrift of those who are very, very well-to-do is very well known in this community. I think that thrift is something that arises from one's state of mind rather than from one's necessities.

The CHAIRMAN. Do you not think the thought would have an influence on them, that there is not the necessity of laying by something for old age, that there is not the necessity of saving their property as much as possible, so that they may have something for the years when their earning ability or capacity has disappeared?

Secretary PERKINS. I think, of course, that all of us agree that it is highly desirable that people should lay aside, insofar as the necessities of their lives make possible, something for old age, and most people have the instinct to do so.

This plan which is before us for an old-age annuity system does encourage that, as you say, by making almost compulsory a habit of a slight saving every month, which has long been thought of as desirable, but which I think most of us find very difficult unless there is some rather systematic way by which we can compel ourselves to do so. People who have relatively ample incomes often buy insurance, even life insurance, on the theory that it is a kind of enforced savings on their part. In other words, they force themselves into it, to be sure, but they find it a desirable method of helping themselves to carry out the constructive theory of providing for their old age and for their dependents.

Mr. WOODRUFF. Madam Secretary, pursuing this question just a little further, you made a statement a few moments ago to the effect that it would require more than one-half of the income of the people of this country to finance this plan. I am speaking now of the Townsend plan, of course. You meant the gross income, did you not?

Secretary PERKINS. Yes.

Mr. WOODRUFF. How, in your judgment, would it be possible to secure enough money to finance this plan, providing Congress should enact such legislation.

Secretary PERKINS. You mean this plan that you have before you, sir?

Mr. WOODRUFF. I am speaking of the Townsend plan.

Secretary PERKINS. Well, I was not able to find any sources, sir. I do not know how you could finance it.

Mr. WOODRUFF. Is it your judgment, that in order to find the necessary amount of money, it would be necessary to start the printing presses; and in the event that that should take place, in your opinion, what would be the value of the American dollar at the end of 6 months of an operation of that kind?

Secretary PERKINS. I do not think I am qualified to answer that question. I do not know whether it would be necessary to start the printing presses or not. I assume that if you meant to pay them in cash, that would be what you would have to do. Of course, the question of payment in kind has been discussed, but that seems so clumsy, so cumbersome, to most of us, we cannot think of it. We think of money as the medium of exchange of goods and services, and it is a convenient way which civilized men have developed to make it possible to have a rapid exchange of goods and services.

Mr. WOODRUFF. Thank you, Madam Secretary.

That is all, Mr. Chairman.

Mr. VINSON. Madam Secretary, as I understand it, it is not the thought or purpose of this bill, in the part that deals with the contributory annuities, to include railroad employees.

Secretary PERKINS. The railroad employees already have a railroad retirement system. It is recommended in the report, and I think in the bill also, is it not?—that a separate provision be made for the railroad employees who already have a railroad retirement system.

Mr. VINSON. Then it is in perfect accord with your views to have it plainly stated that the railroad employees should be excluded from the bill?

Secretary PERKINS. Oh, yes, sir.

Mr. VINSON. While the committee has made the recommendation that in the contributory annuities the tax beginning in 1937 be one-half of 1 percent of the wages, we were told that if this rate were raised initially to 1 percent, beginning in 1937, and then graduated, in the regular periods, from that base, there would be a saving of \$300,000,000 annually at the end of the road, at about 1965.

Secretary PERKINS. Yes.

Mr. VINSON. What is your personal view in respect of the initial rate as it affects contributory annuities?

Secretary PERKINS. I do not think it really matters, sir, which you do; it is a question as to whether you want to spend your money now or later. That is about all that it amounts to.

Mr. VINSON. What are your personal views in regard to that policy?

Secretary PERKINS. I think that is a matter to be determined, really, by those whose primary obligation to the President and to the Government is to advise upon financial matters.

Mr. VINSON. I do not know of any one whose views I should prefer here than yours. Of course, if you do not care to give expression to them—

Secretary PERKINS. I am free to say in this matter that I followed quite definitely the recommendation of the Secretary of the Treasury that it was better to collect a small sum in the beginning than to collect a large sum in the beginning; that is, to make the tax in the beginning as small as possible.

I took advice from what I thought was a good source and a sound source on that matter. It is a question wholly as to when you want to impose the increase in the tax. You can put on a larger sum in

the beginning and make the increments of the tax smaller as the years go on, or you can make your tax small in the beginning and let it increase by larger increments later. It does not really matter, from the point of view of soundness. I really got the best person to advise us as to what was the wisest, the best thing to do.

Mr. VINSON. Did the committee give any consideration to the securing of this money from sources other than pay rolls?

Secretary PERKINS. That means a Government contribution out of general taxation?

Mr. VINSON. Yes.

Secretary PERKINS. We did consider it, and that is perfectly possible. I mean, a part of this whole system can be financed, if it is desired, by contributions on the part of the Government, those contributions to be made possible by increased general taxation, either income, inheritance, or any other form of taxation.

Mr. VINSON. Was any consideration given to some sort of a levy that would affect machinery and equipment, which of course, replaces man labor?

Secretary PERKINS. On the matter of collecting a fund to provide for unemployment insurance, rather than for old age, consideration was given to the idea of a tax upon labor-saving machinery which would, in some way or another, measure the amount of unemployment that might be created by that machine. After some consideration of it we decided—at least, most of us, I think, did—to abandon that as a practical theory at the time. Although theoretically it is a very enticing thing, it is extremely difficult to estimate in advance how much money that would bring you in. When the actuaries come to apply their scientific formula they have nothing upon which they can really make an assumption as to how much money you will get in by any such taxation. That is, you could not tell whether in a given year there will be a labor-saving machine introduced that will put out of work so many thousand men, or whether one will not be introduced in that year, but perhaps 10 years later. In other words, it is impossible to predict that sort of thing.

There is also, of course, a question in some minds, and I think there is a certain soundness in this, as to whether or not you want to discourage the introduction of labor-saving machinery. There are some types of labor-saving machinery which probably ought to be introduced only very gradually and on the upswings of industry. There are others which, by making less costly the product, and thereby increasing the market for it, almost immediately make for greater employment in the very field in which they are introduced. That is because they so lower the price of the article that people can buy it. For instance, we all know that if labor-saving machinery had not been introduced into the automobile industry there would have been a very small demand for automobiles from the general public because of the high cost and, therefore, there would have been a much smaller number of people employed over a 10-year period than have been actually employed.

So we are getting into a realm in which we have no exact measurements, when we begin to speculate as to what labor-saving machinery can be taxed.

I think, sir, that might well be a matter which could be studied over a period of 20 years, and we might evolve some formula which the

actuaries could apply in making a special tax for the purpose of adding, we will say, a special allowance to those who are put out of work for a long time by the introduction of technical improvements in the machinery.

Mr. VINSON. I can see a great difficulty in determining the approximate estimate that may be yielded from a tax on labor-saving devices that may hereafter come into the business world. Of course, many labor-saving devices are already in existence.

Secretary PERKINS. Yes, sir.

Mr. VINSON. And have already put out thousands and tens of thousands of people. The thought I had in mind was that a study might be given to labor-saving machines which were manufactured and operated under rights of patents, and that there might be a tax on the use of a patented machine that would raise a sum necessary to do this job.

Secretary PERKINS. Of course, I think that is very interesting and alluring. The difficulty with it is, of course, in advance of actual use in industry nobody really knows how much the machine will save.

Mr. VINSON. But we know what machinery we have now. I do not know that we can put our finger on it, but we can find out just what machinery we have now.

Secretary PERKINS. Yes, sir.

Mr. VINSON. And, of course, we have limits in regard to totals of wages. For instance, it runs from 20 billions to 30 billions. I think that we could make a pretty fair estimate of that which we have now. I do not know whether in the initial stage we should take that or not, but it seems to me it is a thought worth considering.

Secretary PERKINS. I think it is a very important thing to be continued in study, and I want to assure you, sir, that the Department of Labor, which has been making a study of technological unemployment and labor-saving machinery for several years, will continue the study.

When you go into it deeply, you find it a very difficult subject, and you find that the conclusions are not always those which you would have anticipated would be your conclusions.

We should continue to make such a study. It is only after 10 or 15 years of such study, with comparisons from time to time, that you can really draw any valid conclusions as to the amount of pay roll which is dead due to machinery. But we will be very glad to continue that and shall hope to make it available to the Congress from time to time.

Mr. McCORMACK. In other words, this is a rather poor time to make the survey to determine whether there is, in fact, a general let-down in employment due to the introduction of labor-saving machines, is that true?

Secretary PERKINS. You would be surprised at the number of labor-saving devices which have been introduced in industry in the last 2 or 3 years.

Mr. McCORMACK. This is what I mean. During a depression period it is a poor time to draw conclusions on labor-saving machinery. Over the long run of time, labor-saving machinery might increase employment by making possible lower production costs and lower prices to the public. For that reason this is rather a poor time to make a survey.

Secretary PERKINS. Exactly; because the market is not normal.

Mr. VINSON. It would not be a poor time from the viewpoint of the employer, who pays the tax, to give a study to the matter of relief of that pay-roll burden. I feel certain that there is not any controversy between the gentleman from Massachusetts and myself on that.

Mr. McCORMACK. There is seldom any controversy between the gentleman from Kentucky and myself.

May I ask this question? Secretary Perkins, have you given consideration to a general manufacturers' excise tax, for example, to meet this problem?

Secretary PERKINS. The 3-percent tax on payrolls, sir, is in the form of an excise tax.

Mr. McCORMACK. True. It is limited, of course. This is a national problem, the problem of all the people. In a sense, that is an excise tax, but it is a limited one. My inquiry is whether or not the committee gave consideration to a general manufacturers' excise tax with the necessities of life exempted?

Has the committee given consideration to the general subject of a manufacturers' excise tax?

Secretary PERKINS. Do you mean just manufacturers?

Mr. McCORMACK. A tax at the source.

Secretary PERKINS. This tax here does not cover manufacturers alone. It covers employers without regard to whether they are manufacturers or something else. It is an excise tax on the pay roll itself and has relation not to the production of the article but to the persons employed.

Mr. McCORMACK. I know. It is, in a sense, a direct tax on business, and if the States provide for a contribution by the employees, it is a direct tax upon the employee. My question is whether or not consideration has been given to the imposition of a general manufacturers' excise tax to raise the money, to eliminate the necessity of imposing a tax upon the employer and a tax upon the employees' pay roll.

Secretary PERKINS. You mean, in order to raise the funds for the old-age annuity, or to raise the funds for the unemployment insurance?

Mr. McCORMACK. For each.

Secretary PERKINS. Well, we were directing our thought, I am free to say, directly toward these two objectives—the unemployment insurance and the old-age annuities; and, in devising the taxes, we tried to indicate these taxes in the spot which would develop the necessary income and the necessary impetus to the enactment of State laws in the matter of unemployment insurance.

Mr. McCORMACK. What I was referring to is this: I realize the situation as to the old-age contributory annuity. I did not have that in mind, because that is a new plan.

Referring to the noncontributory pension and to the unemployment insurance or unemployment compensation, was consideration given in a study of that to the imposition of a general manufacturers' excise tax to raise the necessary amount of money?

Secretary PERKINS. May I distinguish between the two, sir? The old-age pension is a direct contribution out of any public funds there may be.

Mr. McCORMACK. But we have got to pay something; the Federal Government has got to pay something.

Secretary PERKINS. On the old-age pensions we did not consider how the funds should be raised. That is for the Congress to say, how taxes shall be imposed, and what is the nature of the taxes. With regard to the unemployment insurance, we do not believe that this is an appropriation out of general taxes. The taxes raised by the 3-percent excise tax on pay rolls will not be used to pay unemployment insurance or unemployment benefits.

That is a flat tax to secure revenue for the United States Government for all purposes and for any purposes. There is provided an offset against it so that any employer who is contributing under a State compulsory unemployment-insurance law a premium in the amount of 3 percent which will build up for his State a fund out of which unemployment benefits may be paid, will be exempt from the payment of the 3-percent tax which is otherwise assessed.

In other words, it is not the assessment of a tax out of which benefits will be paid. It is the assessment of a tax on a person who is not paying a premium out of which benefits will be paid.

We, therefore, did not consider, in the other appropriations—that is, the appropriations for dependent old age, for dependent children, and for public health—we did not consider or think it our duty to advise the Congress as to how the taxes should be raised. If it is necessary to impose new and different taxes, we believed that it was not our function to indicate to the Congress how they should impose that tax.

Mr. REED. Madam Secretary, I wish you would explain for my benefit—perhaps some of the others of the committee would be interested to know—just what becomes of the pension systems adopted by the various industries of the country who have built up their own pension funds, if this legislation is passed? How will this affect them?

Secretary PERKINS. It does not affect them at all. Those are not compulsory. It is to be assumed that many people will desire to provide for themselves a benefit far in excess of anything they can hope to collect from their compulsory insurance. That is, the compulsory insurance will never provide any very large—unless the tax is greatly increased over anything we now have in mind—will not provide any very large and comfortable living for an aged person when he is 65 years and many people will wish to participate in mutual and voluntary funds out of which they will, at age 65 or 70, draw much larger benefits.

The funds to which you refer, which have been, in the past, established by a few industries, for the retirement benefit of their employees, will be in no way affected by this. I mean, those are voluntary funds. They are not compulsory. The income from them will be added to any compulsory benefits, or benefits from any compulsory fund to which the employees have contributed.

Mr. REED. One other question. You referred to 28 States that have old-age pension laws. I wonder if you have available and can put in the record the maximum benefits allowed under those systems in each of those States?

Secretary PERKINS. With the exception of Massachusetts and New York, the maximum is \$30 a month. Massachusetts and New York have no maximum, and make their allowance dependent upon the particular need of the individual. That is, they supplement what-

ever income or source of support he may have, up to what appears to the administrative officers to be his absolute need. They do not go beyond his absolute need.

Mr. REED. While they have no maximum, then, in [Massachusetts and New York, have you any idea of the average that they are now paying in those States?

Secretary PERKINS. The average in Massachusetts is \$19.74. That means, of course, that there are some people receiving above that.

Mr. REED. I understand. Thank you.

Mr. DINGELL. Madam Secretary, I would like to ask just a question or two. In the deliberations of your Committee on the general subject of social security, was any thought or consideration given to that class of men and women in this country between the ages of 45 and 65?

The reason I mention that particular span of life is because of the discrimination against men and women in that particular period of life. I am wondering whether the Committee has given any thought to, possibly, some statutory method of correction to alleviate the condition among that class of our citizens.

Secretary PERKINS. Yes, sir. People who are between 40 and 65 years of age, unless they are sick people, are well able to earn their own living, if they have the physical capacity to produce sufficient of the wealth of the Nation to maintain themselves.

The only difficulty is that we do find, under some modern conditions, that that particular group has great difficulty in getting work. Therefore, they have unusually long periods of unemployment and they are, therefore, unemployed people rather than aged people. They will be taken care of under the unemployment-insurance scheme.

That is, those persons of 40, 45, and 50, who get out of work and are not able to reestablish themselves in a job on account of their age, will merely have prolonged personal periods of unemployment.

They will be entitled, under their State laws, to regular periods of unemployment compensation, whatever they are entitled to under the laws of their State; and, in addition to that, the feature of the work benefit following the cash benefit is particularly designed to be of assistance to just that particular type of person and it is referred to in our report as a plan of employment assurance.

That is, after that group have exhausted the cash benefits to which they are entitled under a real, sound, insurance system, if they are still unable to find work, they will be given a certification as being eligible for the most available piece of public works. When I say "available" I mean suitable to their training and experience, and available from a geographic standpoint, something that they can get to.

That particular group will look to systematic, planned-in-advance public work for occupation and, therefore, income, during the perhaps prolonged period of unemployment.

But I want to point out to you that that group of 40 years of age do not suffer any substantial excess of unemployment during the really prosperous times, the highly prosperous times. They are only a marginal group. They are a little more adversely affected by the regular ups and downs of unemployment cycles, and that was in our mind when we provided for a work benefit following the cash benefit.

It was thought to be a sounder way of providing for that group than to make an extended and what we call sterile cash benefit. That is, the cash benefit does not itself put them to work and so, out of their work, creates that activity, that demand upon production, which work does.

Mr. DINGELL. I appreciate that during the peak of employment, during the prosperous times in this country, the employables above 45 years of age have a far better opportunity for employment. But I am wondering whether it had occurred to the Committee, possibly to yourself as head of the Department of Labor, whether some statutory provision should not be made to restrict employers from making the inquiry as to the actual age of the man.

I know that in our community, which is a highly industrialized section of Detroit, it is physically impossible for a man, after about the age of 45, to obtain employment. The mere fact that he replies, through the medium of a questionnaire, and states that he is 45, automatically excludes him, during a depression period.

I realize that some latitude is allowed during a time of great demand for labor. But that is not true in times such as these, and that situation is especially acute in times such as we are going through.

It frequently happens that a man of 45 years may have one or two or three children at school or at a university, and he may have one or two other minor children he is looking after, and he is absolutely unable to maintain them when his responsibilities are at peak.

I am wondering whether such a thought might have occurred to the committee, as to some specific statutory provision in a Federal law which would restrict the employers from asking this question; because I have assumed that it is not any of the employer's business to know a man's age unless it is for the specific reason of exclusion if an applicant is otherwise qualified.

Secretary PERKINS. I think I can answer truthfully that the Committee as a committee did not consider that, because that did not seem to them within the scope of their mandate, and the scope was broad enough so that they needed all the mentality they had to consider the problems that were really before them.

However, I have myself often given consideration to that particular item, and have found that it is full of very grave difficulties on enforcement and on actual public welfare, when I begin to think of applying it. I think we shall have to rely, at least until we have exhausted the possibilities, upon educational methods of preventing the exclusion of people from work at what is a relatively young age. You have to rely upon systems not making it unusually advantageous to employ only the young.

It is true, as one of the members of your committee indicated in a question, that some of the group insurance plans which relate to life insurance, have put a kind of advantage upon having in the employ of any individual employer a high percentage of young people who are not so likely to be dying, and therefore collecting their benefits. It is perfectly possible to correct that, however, by providing for lesser benefits upon death to those who are older when they enter the system. That correction of the policy has been made by some of the more progressive insurance companies that write this type of group

insurance for the very purpose of cutting down that incentive to reduce the number of persons over 45 in the total group.

I think it is a very complicated thing and one that we should study with a good deal of care.

There have also been, as you know, claims from time to time that the likelihood of the individual to bad results from a minor accident increases as the individual grows older; that he is likely to have, as he becomes older, certain arterial difficulties which even from a slight injury will have a serious result in the loss of use of a member. The system of some of the insurance companies and some of the States in permitting the writing of workmen's compensation on what is called the "merit rating basis" has encouraged that exclusion of the old, I think without any intention to do so originally. It has been on the whole a very disadvantageous system and one which those who are responsible for the administration of that law in some States are only now becoming aware of. This was one of the mistakes made which has resulted in a social situation which we are now recognizing and trying to correct.

The matter of a statutory requirement not to ask a man's age is fairly complicated. I do not know that I should want to be charged with enforcing it unless I were given a pretty large staff of inspectors and investigators.

Mr. CULLEN. There is one thing I would like to clear up, Madam Secretary:

This bill would not affect any large business corporations who have a systems of pensions or unemployment insurance today? It would not affect them, in your judgment?

Secretary PERKINS. I do not know what you mean by that, sir. It would certainly affect them. I mean, they would be required either to bring their systems into the system permitted by the State, or to give it up.

Mr. CULLEN. I have in mind large business corporations now, in New York in particular.

Secretary PERKINS. Yes.

Mr. CULLEN. Who have a system of pensions and also a system of unemployment insurance. In the event of the passage of this bill by the Congress, would that compel them to abandon their systems and come under the compulsory system?

Secretary PERKINS. It would not compel them to abandon their systems. I would like to discuss the two things separately, the old-age provision and the unemployment insurance provision. They would either have to carry their own system independently in unemployment insurance and in addition to any compulsory system, or they would have to bring their system under the compulsory law of the State. The States can by this bill permit any of those existing voluntary systems to continue if the State so desires, and they can permit them to continue under any regulation or under any inspection or supervision that the State cares to set up; that is, they are not excluded if the State permits them.

Under the old-age provision where the pension is a matter of a contractual right entered into between the employer and employee at the time of his hire, the employer can certainly not refuse to pay to

any employee upon retirement a sum which he has previously promised him. If it is in excess of the sum which he would be compelled to pay by the law, he will still be compelled to pay in excess of the law.

Mr. CULLEN. I understand that. In the final analysis it would be discretionary to some extent in regard to these large business corporations.

Secretary PERKINS. With regard to unemployment insurance, sir, it would be discretionary with the States to determine how they would regulate them and whether they should permit them or not.

Mr. HILL. Madam Secretary, is this unemployment compensation provision in this bill unemployment insurance?

Secretary PERKINS. "Unemployment compensation" is used to describe unemployment insurance; yes, sir. We have hesitated to call that insurance because of the fact that the actuaries found that because of the uncertainties of the assumptions which we could give them, it was impossible to make the ordinary actuarial computations which they regard as basic in a flat insurance system. But here, with the limitations upon benefits, you are safely within an insurance rule.

Mr. HILL. I understand in the British system the unemployment compensation takes the form of a flat payment to each unemployed within the provision regardless of the amount of salary such unemployed person may have received during his employment. That is not your idea in connection with this bill, as I understand it.

Secretary PERKINS. We wrote in our report that the benefit rate should bear some proportion to the earnings of the individual, should be a percentage of previous earnings.

Mr. HILL. Your scheme here involves in connection with the unemployment compensation feature what is called "work assurance", to be taken care of through provision by the Government of public works to take up the slack in times of depression. When a beneficiary under the unemployment compensation feature has exhausted his benefit payments, that is, he has received all that he will be entitled to receive, then the idea is, as I get it, to place such individual in employment under the Public Works program.

Secretary PERKINS. Yes, under some rules and regulations to be developed.

Mr. HILL. How would he be guided toward this work relief? Do you have machinery set up in here for that?

Secretary PERKINS. Yes, sir. The administrative machinery necessary to develop and to administer unemployment insurance will necessarily involve use of free public employment offices, because of the fact that no man will be allowed to collect unemployment benefits if there is a job available for him, that is, a paid job in private employment available for him. Therefore, he must be registered continuously with a free public employment office which will be assisting him in every possible way to find normal work and normal occupation which will put him back at his usual wages or something approaching his usual wages. Therefore, he will be continuously registered with the free public employment office.

When the time comes that he has exhausted his benefit payments—and by the way, the usual method is to pay these benefits through a

cashier who is physically located in a free public-employment office, consequently it is the most convenient way for all concerned—the records are there and the man is there.

Mr. HILL. That assures contact with the public employment office. He must receive his payments through that agency, as I understand.

Secretary PERKINS. When he has exhausted all that he is entitled to in the way of a legal cash benefit, when that has all been paid and the end has been reached, and that is all crossed off on his card, he will then be referred by this office to the most available public works, with the certification that he is eligible for what is known as a works benefit; and they will put him to work. The office which supervises his payments cannot direct just which piece of work he shall do, but the Public Works director can put him to work on the most available Public Works object.

Mr. HILL. We have at the present time, as I recall it, the employment offices under the Wagner-Peyser Act.

Secretary PERKINS. Yes, sir.

Mr. HILL. Is that the same as the National Reemployment Office?

Secretary PERKINS. No, sir.

Mr. HILL. Is that a different set-up?

Secretary PERKINS. There is a difference in it, although they are under the one management.

Mr. HILL. Is it contemplated you will continue both of these employment offices or just the one?

Secretary PERKINS. It is contemplated that the States that pass unemployment-insurance laws will also at the same time take advantage of the Wagner-Peyser Act and come under the provisions of the Wagner-Peyser Act in reference to their employment services; and that they will agree to administer their unemployment-insurance act through the Wagner-Peyser offices, which are State and Federal cooperating offices.

The CHAIRMAN. Madam Secretary, we thank you for your appearance and the very thorough and helpful statement you have given with respect to the proposed legislation. We appreciate it very much.

Secretary PERKINS. Thank you.

STATEMENT OF HARRY L. HOPKINS, FEDERAL RELIEF ADMINISTRATOR AND MEMBER OF THE COMMITTEE ON ECONOMIC SECURITY

Mr. HOPKINS. Mr. Chairman, and members of the Committee: I shall confine my direct statement to two phases of this bill, unemployment compensation and old-age pensions.

I think the Committee should understand that the Committee on Economic Security recognized that unemployment is not actuarially insurable. That is the chief reason why we suggested the name of "unemployment compensation". We know perfectly well that in a depression of this kind no insurance fund would stand up, just as no unemployment-insurance fund in Europe stood up during the depression.

Old age is actuarially insurable.

There has been some discussion as to Federal participation in terms of funds in connection with unemployment. The Committee felt that it was submitting a proposal covering security for unemployment and that unemployment compensation is only one phase of that. We know perfectly well that many workers after the 16 weeks of a cash benefit which this bill provides will still be unemployed. We know that the number of weeks of cash benefits is far smaller than about half that the English insurance scheme gives. But it was the judgment of the Committee, in which I for one heartily concur, that employment assurance provided by the Government or governments is an essential factor in this whole program.

The works program which the President has proposed does in effect do that very thing now. We knew perfectly well that an unemployment-insurance bill does nothing whatever for those that are now unemployed. It would have been absurd to present unemployment compensation by itself with the kind of a situation that we have facing us. I think it is better that at the end of 15 or 16 weeks, the benefit from that time become a work benefit rather than a cash benefit.

Someone may say "Why give any cash benefit at all? Why not make it a work benefit, an employment assurance bill right from the beginning?"

The answer to that is that this covers a great many thousands of people who are thrown out of work suddenly. It is essential that they be permitted to look for a job. They should not be doing anything else but looking for a job. We felt that in that period of 2½ to 3 months the beneficiaries should get an insurance benefit in cash.

So the Government is making a contribution to this whole picture, in terms at the moment of employment assurance. Therefore, in any discussion as to whether or not there could not be a Federal tax for this or that part of this program, it seems to me that the answer is that the Federal Government is sharing in this whole enterprise.

I am not going to discuss the technical aspects of this, because you have heard it presented by people who can do it far better than I.

I want to say this about old-age pensions: Certainly no member of that Committee wishes to make old-age pensions a niggardly business. But if you accept the premise that the Federal Government should give a grant in aid to the States, then in effect the burden of the size of the pension rests with the several States and is not determined in the main by the Federal Government. It seems to me that that is as it should be. The bill says that the Federal contribution shall not exceed \$15 per case. As a matter of fact, if that were not in the bill today, we would not pay more than \$15 per case. We would not pay more than \$15 per case anyway, in any State in the Union, whether it was in the bill or not, because in no State does the average pension exceed more than \$30 a month. As the Secretary of Labor said, the average old-age pension in the United States for the 180,000 people that are now getting old-age pensions is something under \$20 a month. You must remember that the size of the old-age pension is governed by local public opinion and by local interests. People do not need the same pension in all parts of the country. It seems to me the Federal Government should go along with the States, let-