STATEMENT OF W. R. WILLIAMSON, ASSISTANT ACTUARY, TRAVELERS INSURANCE CO., HARTFORD, CONN.

Mr. WILLIAMSON. Mr. Chairman and gentlemen, I am assistant actuary of the Travelers Insurance Co. in Hartford. I was also one of the actuarial consultants for the committee on economic security.

The CHAIRMAN. You may proceed in your own way, and when you have concluded whatever formal statement you wish to make the committee will then examine you.

Mr. LAMNECK. I would like to ask the gentlemen whether he is here representing the Travelers Insurance Co. or whether he is here as a member of this economic security committee.

Mr. WILLIAMSON. I am not representing the Travelers Insurance Co. I was asked by Mr. Treadway to come to this session.

Mr. LAMNECK. Are you employed by the Travelers Insurance Co.?

Mr. WILLIAMSON. I am employed by the Travelers Insurance Co.

Mr. LAMNECK. And you are here with their consent?

Mr. WILLIAMSON. That is correct.

Mr. LAMNECK. And do they know what you are going to say?

Mr. WILLIAMSON. No; they do not.

Mr. BACHARACH. As I understood, you were on some special committee?

Mr. WILLIAMSON. I was an actuarial consultant to the committee.

Mr. BACHARACH. You were relieved from duty by your company?

Mr. WILLIAMSON. I was loaned for a period of about 2½ months.

Mr. BACHARACH. Occasionally people object to the word "loan" and we have to be careful about that!

The CHAIRMAN. Were you called in in an advisory capacity in the study and preparation of this bill?

Mr. WILLIAMSON. Yes; on actuarial work.

Mr. TREADWAY. Mr. Chairman, may I make this explanation? I would like to say that the first I knew of Mr. Williamson's connection in the preparation of this bill was when Mr. Altmeyer, the chairman of the technical board, stated that Mr. Williamson was one of three or four gentlemen who had acted as advisory or consulting actuaries. They are called actuarial consultants. As I understand it, there was a Mrs. Armstrong——

Mr. WILLIAMSON. Mrs. Armstrong was on the committee in connectionu with the old-age security provisions.

Mr. TREADWAY. But there were actuarial consultants?

Mr. WILLIAMSON. Yes.

Mr. TREADWAY. In addition to these four?

Mr. WILLIAMSON. Mr. Richter and myself were actuaries. We spent about 2½ months, or about 2 months, on this work.

Mr. TREADWAY. You were loaned by the Travelers Insurance Co. to this committee?

Mr. WILLIAMSON. I was.

Mr. TREADWAY. For such time as you were in Washington on this continuous service?

Mr. WILLIAMSON. Yes.

Mr. TREADWAY. And your services were needed?

Mr. WILLIAMSON. Yes.

Mr. TREADWAY. About how long was that?

Mr. WILLIAMSON. About 2½ months.

Mr. TREADWAY. You were here about 10 weeks?

Mr. WILLIAMSON. Yes. I think I came down about the 9th of October and went back the 22d of December.

Mr. TREADWAY. Are you the chief actuary of the Travelers Insurance Co.?

Mr. WILLIAMSON. I am not. I am one of the assistant actuaries.

Mr. TREADWAY. How long have you done actuarial work?

Mr. WILLIAMSON. Twenty-four years. I have been assistant actuary since 1916.

Mr. TREADWAY. I just wanted to get that for the record.

Mr. WILLIAMSON. I got in a little late in Mr. Folsom's testimony, and I am not quite sure what you expected me to report on.

Mr. TREADWAY. The ordinary procedure is for the witness to take 5 or 10 minutes without interruption, but if you have no prepared statement you wish to make to the committee, I shall be glad, and I think other members of the committee will also be glad, to help you to start by asking you some questions.

Mr. WILLIAMSON. I should be glad if you would start me off that way.

Mr. TREADWAY. You prefer that, to have questions asked of you?

Mr. WILLIAMSON. Yes.

Mr. TREADWAY. My reason for wanting to hear from you or any others who were similarly situated, was to get your ideas as to the set-up contained in the measure before the committee so far as actuarial questions are concerned.

Mr. Folsom testified a few moments ago that any government pension, old-age or unemployment, could not be handled as a business concern, such as a life-insurance company, would handle it, or as the Eastman Kodak Co., his own company, would handle it. I would like your judgment as to the actuarial basis in this bill; wherein that would differ from what would be done by a company like the Travelers Insurance Co. or any other large life-insurance company. Are you in the life branch of the Travelers Insurance Co.?

Mr. WILLIAMSON. I am in the life branch; yes.

Mr. TREADWAY. I assume that the Travelers has three different branches.

Mr. WILLIAMSON. At least three; yes.

Mr. TREADWAY. And you are in the life branch?

Mr. WILLIAMSON. Yes, sir.

Mr. TREADWAY. Wherein do the actuarial conclusions which have resulted in the various provisions of this bill, differ from those that would be used or reached by a life insurance company?

Mr. WILLIAMSON. I shall be very glad to comment on that. Of course, the life insurance business is based upon the theory of individual contracts between the insured and the insurance company. Level premium life insurance calls for the payment of a uniform premium determined for the lifetime of the contract. In writing level-premium life insurance, there is therefore required an excess payment in the early years of the insurance in order to have enough on hand when the increasing strain, due to advancing age, makes itself felt later on.

The life insurance company, under State supervision, must have reserves on hand sufficient to carry out all the contracts that have been issued. At any time, should the life insurance company terminate writing new business, it must have on hand reserves sufficient for all its established liabilities.

In a Government plan, there is a definite distinction. If the Government is handling old-age annuities as a single proposition, in the first place, the Government expects to be a going concern indefinitely. They are in a little different situation about reserves for the purpose of carrying out responsibilties, than that which must be present in an insurance company which may stop doing new business.

The Government's investment policies represent something quite distinct from those of an insurance company. The basis of an insurance company's investments is diversification, spread of risk among different types of investments; mortgages, a few stocks, bonds of public utilities, municipals, State, Federal bonds, and so on.

But there is a spread of investment which makes any one part not particularly important by itself.

When the Federal Government attempts to build up an old-age plan and is aiming at the most certain form of investment, it seems to be limited to Federal securities. The private company, in handling its investments, has evidences of indebtedness issued by somebody else which it has selected on the basis of the excellence of those investments, and premises its adaptability to the particular purpose of having funds available when they are needed.

The Federal Government, if it builds up investments limited to Government securities, has, as its investments, entirely indebtednesses of the citizens as a whole to the Government. The asset account is at the same time a liability account, and it is a liability account exactly to the same people to whom it is an asset account. So there is a marked difference in the reserves so far as the Federal annuity plan is concerned.

Essentially, actuarial opinion inclines to the belief that no reserves are particularly important to a Government plan, since the investments in Federal securities receive interest payments thereon as a result of the taxing power, and the taxing power functions anyway. So that the framework of investments for a pension plan administered by the Government is quite different from the framework of a pension plan or insurance plan administered by an insurance company.

That is what probably has been a little confusing in the various schedules which have been prepared. The schedules are all right, I think. They have been done competently by trained actuaries. They have been drawn up to show probable contributions on various scales, probable interest on the reserves which would be accumulated, the reserves being only the excess in contributions beyond the outgo. That is a different thing from insurance-company reserves. Insurance-company reserves must be adequate for all liabilities.

These reserves, if they were adequate for all liabilities, would grow to such terrific proportions that the interest would be enormous. Some of the schedules that have been worked up on the insurance-company method of having adequacy, develop reserves of $100,000,000,000 by 1980. At 3 percent interest, that would call for $3,000,000,000 a year from the taxpayers to function as the interest payment functions in an insurance company where interest is paid, however, not by taxpayers alone, but by the issuers of the securities.

Mr. VINSON. Will the gentleman yield?

Mr. WILLIAMSON. Yes.

Mr. VINSON. You are directing your remarks to the plan set forth in the bill?

Mr. WILLIAMSON. Yes; but I am leading up exactly to the plan set forth to explain why the amounts called for are not enough to avoid some subsidy most of the time. The reason is that the preparation of large reserves does not escape what is virtually a subsidy, the payment of interest.

Mr. VINSON. The point I want to make is that the Secretary of the Treasury has submitted another plan for the consideration of the committee.

Mr. WILLIAMSON. That is the plan which goes up to $50,000,000,000 of reserves for 1980?

Mr. VINSON. I do not think it would reach that figure.

Mr. TREADWAY. May I interrupt, Mr. Vinson?

Mr. VINSON. Yes.

Mr. TREADWAY. The plan to which you refer was submitted only the day before yesterday, and possibly Mr. Williamson has not seen it.

Mr. VINSON. That is the point I was making. He was directing himself to the language of the bill and was making a splendid statement thereon, but his suggestions were not with reference to the changes that have been suggested by the Secretary of the Treasury the day before yesterday.

Mr. TREADWAY. Have you seen that statement?

Mr. WILLIAMSON. I have something called "Plan M–11" here, a schedule which I was kindly furnished by the committee this morning, showing the progress of a reserve from $622,000,000 at the end of 1937 to $50,000,000,000 at the end of 1980, and a supplemental plan starting a little lower and going up to $37,570,000,000. Is that the proposal that he has submitted?

In the hearings on page 859, a copy of which the clerk has just handed me, there is a $50,000,000,000 figure. I have that before me.

Mr. TREADWAY. Have you studied that?

Mr. WILLIAMSON. I have had time to go over it a little. As an actuary it impresses me as no more sound than the committee's original plan. It seems to me that whenever there is a large interest requirement to be met on the part of the people, plus the Federal subsidy, that we have practically the same position as a larger subsidy and a smaller interest requirement. On page 859, this table shows that from 1937 on, the sum of the second and third columns seems not to be very large. In 1940, for example, the interest, plus the Federal contributions, amounts to $28,000,000 in the economic security plan. In 1940, in this suggested plan, the interest is $58,000,000. That, therefore, is more expensive in its demands upon the public at that point, though not much more.

By 1950 the economic security plan calls for $424,000,000 and the other plan calls for $1,000,000,000. By 1980 the economic security plan calls for a total subsidy, interest plus Federal contribution, of $1,930,000,000 against the suggested plan of $1,500,000,000.

At that point the higher rate of contribution of 6 percent brings in something like $400,000,000 more and thereby reduces the strain, but if it were not for that $400,000,000 more there, up to that point the eonomic security plan is an easier plan to fund than the other plan.

Mr. VINSON. There could not be any question about that, could there? It does not cost the Federal Government anything at all until you get up to 1965.

Mr. WILLIAMSON. I am still insisting that it does. I am saying that all the interest comes out of the taxpayer. I am not a financier, and I am not a budget maker. I do not know quite how these transfers will be made.

There are, I understand now, outstanding indebtednesses of less than the $50,000,000,000 figure. So that in order to get up to $50,000,000,000 it would seem to call for the issuance of more evidences of indebtedness by the Government. In the early years I assume that it will be simple to buy enough securities——

Mr. VINSON. Under the economic security plan, what contribution does the Federal Government make until 1965?

Mr. WILLIAMSON. The Government is responsible for collecting the interest on the reserve all the way.

Mr. VINSON. You say they collect it. What contribution do they make until 1965?

Mr. WILLIAMSON. In 1965 that amount which comes out of the taxpayers is $458,000,000 plus $166,000,000.

Mr. VINSON. Do you think it is fair to say that the interest on the reserves comes out of the taxpayer?

Mr. WILLIAMSON. I do not know any other place that it comes from.

Mr. VINSON. You have the matter of investments. There would be interest on the fund that they have.

Mr. WILLIAMSON. My assumption is that this fund is limited to Federal securities, and the interest on Federal securities is not like the interest on public utilities, earned by productive investment. As I understand, Federal securities secure interest nonproductively, by taxation.

Mr. VINSON. These Federal securities might not be outstanding in 1965. But if they were outstanding, the Federal Government would have to make that interest contribution to the holders of those securities.

Mr. WILLIAMSON. Quite true.

Mr. VINSON. According to this table here on page 859, the interest on the reserve in 1965 would be $458,000,000. Those securities would earn that interest. The Federal contribution up to that point, exclusive of interest, is nothing. But when you hit 1965, it is $165,-700,000. That runs, from that point up, to $1,478,700,000 in 1980, and each year thereafter.

The point that is in the minds of some of us here is whether or not this Congress can consider passing the buck to the people in 1965 to 1980, and then have that fixed charge annually thereafter.

Mr. WILLIAMSON. Of course, this supplements the present old-age assistance and relief measures to which the Federal Government is expected to contribute, and the State the balance for the present elderly people, so that by taking care of the present elderly people at the start this contributory plan starts off with no load; but, of course, there is a strain today for taking care of the aged in some fashion.

This contributory plan, fortunately, starts with no indebtedness of that sort, but it postpones the first obligation for 5 years, and it therefore gives a steadily increasing rate, as you suggest, because the proportion of elderly people that claim benefits steadily goes up.

Mr. VINSON. Your insurance company would not think for a split second of passing on to 1965 or 1980 a burden such as is contemplated here. In other words you watch your step day in and month in and year in.

Mr. WILLIAMSON. An insurance company must maintain its reserves to meet its current liabilities.

Mr. VINSON. That is sound economic policy, is it not?

Mr. WILLIAMSON. That is right.

Mr. VINSON. You would not suggest that we pass the buck on to 1965 or 1980, or even think about doing it, because there will be 22 or 23 Congresses between now and then that could upset that apple cart.

Mr. WILLIAMSON. I think it should be well understood that that is exactly what is being done.

Mr. VINSON. You figure that the 100 billion reserve is too large to contemplate?

Mr. WILLIAMSON. I figure that the 100 billion is altogether too large to contemplate; yes.

Mr. TREADWAY. Let me ask you just one or two more questions. As a business actuary, do you view this as a sensible and proper set-up, if the Government is to legislate along this line?

Mr. WILLIAMSON. I think this is pretty good. It involves a steadily increasing rate of cost to all the different classes of people who are to be benefited. The strain upon the plan is steadily increasing. Its contribution rate is also steadily increasing. It leaves the subsidy idea very clearly present. But we seem to have to provide for the aged in some fashion.

But it passes as much of the load back to that class of people who are to be covered as is deemed expedient.

Mr. TREADWAY. I presume you mean by subsidy the Government contribution?

Mr. WILLIAMSON. Yes; including interest. I have tried to make it quite clear that this was different from a private insurance company enterprise, that Government financing is out of the ken of those who are actuaries.

Mr. TREADWAY. Is it in anybody's ken?

Mr. WILLIAMSON. I guess not. But it brings you to the basis where that distinction between what is paid in by the class of people who hope to benefit and what is furnished by the Government, is clear.

Actuarily, I would prefer to see a completely pay-as-you-go basis, with contributions logically from the people who will come in, and with no reserves.

The difficulty with the reserves is twofold. In the first place, I admit that 15 billions or even 50 billions do not represent the total normal reserves. But they seem pretty large, and in future years it would be very difficult for a man in my position to claim that those reserves were then inadequate, that they were not redundant, although extensions in the benefit of the plan seem to be much more probable when the reserves are larger than when it is recognized just what the benefits are.

So, it seems to me safer and sounder to have no reserves than it does to have full reserves as a plan for furnishing a minimum pension to the aged. That, I may say, is a fairly common actuarial opinion, and many actuaries feel in the same fashion.

Mr. TREADWAY. Then I gather that if Congress decides that it is the function of this body to set up old-age and unemployment insurance, the suggestion before us is perhaps about as satisfactory as we could frame.

Mr. WILLIAMSON. I think so.

Mr. TREADWAY. Would you go as far as that?

Mr. WILLIAMSON. I think so. I think, of course, no two people would agree on all the provisions, but I think it is a fair plan, well thought out, and recognizing the difficulties, recognizing the fact that it is an addition to the duties of the Government to take proper responsibility for the aged.

Mr. TREADWAY. Assuming we take that responsibility, that we should do something for the unemployed and the aged, would you prefer a lump-sum appropriation on the part of the Government, transferring it pro rata to the States, to carry out their own notion about this sort of aid, or would you prefer to have the Government do as it is proposed to do in this bill, specify certain lines that the States must follow?

Mr. WILLIAMSON. Of the two things, this contributory old-age pension is suggested as Federally administered, and the old-age subsistence is the passing of the subsidy to the individual States. I believe that is logical. That must be accepted, I should judge, locally, at the present time for old-age assistance. But both will spread the responsibility for the contributory plan, and there is a simplicity in doing it Federally instead of attempting to add that to the machinery of the individual States.

As to the unemployment insurance, which is quite a different question, from the standpoint of a statistician, I would much prefer to see a Nation-wide single plan, of course, which would be an advantage, and probably be simpler to administer. I suppose the Federal-States plan is a practical arrangement.

Mr. TREADWAY. Let me ask you one more question—and I want to thank you very much for your assistance.

You, from the life-insurance standpoint, and also some of the advocates of the measure, are looking well forward to 1965, 30 years off, and I think even 1980 has been referred to, 45 years off.

Now, as legislators, while we have some young men here who may stay on indefinitely, your actuarial tables would not indicate that many of us are likely to participate in legislation when those years are reached, would they? You would not expect many of these men, either from your actuarial tables, or from political exigencies, to be here at that time?

Mr. WILLIAMSON. Not in 1980.

Mr. TREADWAY. Therefore, should we not regard the interests of the taxpayers and the employer and employee more in the light, say, of the next 10 years, than in the light of what this framework is going to set up 30 years hence?

Mr. WILLIAMSON. Yes; and that has been put in there so that instead of attempting this level premium idea of life insurance, which says that we will start off and have a level premium from now on, this frankly admits that it is easier today to start with a smaller contribution. The benefits will get higher and higher as you go along, but start with a small contribution, and be easy on them. It is recognized that conditions are not the same now as they will be later on.

Mr. TREADWAY. You feel then that the present-day interest of the taxpayers is given due consideration in this set-up?

Mr. WILLIAMSON. Yes; I think a protest might be that they have gone a little too far——

Mr. TREADWAY (interposing). That is from the viewpoint of the life-insurance men?

Mr. WILLIAMSON. From the 1 to 5 percent contribution. One is rather low, but it seems to me to be a very logical plan to do it in that fashion.

Mr. LEWIS. You are familiar with the form of application for an annuity in a life-insurance company?

Mr. WILLIAMSON. Yes.

Mr. LEWIS. Do they make any inquiries in the case of an annuity as to the age of your forebears?

Mr. WILLIAMSON. Ordinarily, I think not. The annuity is——

Mr. LEWIS (interposing). The company does, of course, in the case of life insurance?

Mr. WILLIAMSON. It does in life insurance. But the annuity business is much smaller than the life-insurance business. In a sense, while we claim to know a great deal about annuities, we have not done much of that business.

Mr. LEWIS. Let me put the question more generally. Is there any effort on the part of the companies writing annuity insurance to develop a select risk in the sense of picking out those who are least likely to live to the age set out in the experience tables?

Mr. WILLIAMSON. I think the answer is "no"; that as against life insurance, with its careful medical examination, the annuitant is assured that he does not have to go through that examination.

Mr. LEWIS. Then there is a wide distinction between a government undertaking to insure lives and a government undertaking to grant annuities on the basis of past general statistical experience. But in the case of the writing of annuities there is no short life peril before the Government.

Mr. WILLIAMSON. There is not that peril. But of course, there is on looking forward, a general understanding that mortality is improving, the recognition that medical science is somewhat effective, and that in the future the mortality, even among annuitants, will be even better than it is today.

Mr. TREADWAY. And society welcomes that and is ready and willing to pay for it.

Mr. WILLIAMSON. It should be willing to pay for it.

Mr. VINSON. Do I understand from your statement that you would favor the elimination of the unearned annuities?

Mr. WILLIAMSON. No; I do not.

Mr. VINSON. I thought you said——

Mr. WILLIAMSON (interposing). No; I am afraid of building up big reserves; and the first result of eliminating unearned annuities is to draw very little from this accumulated fund so as to let it get quite large, and have annuities that are ridiculously small, but earned, annuities of, say, a dollar a month.

Mr. VINSON. Have you read the statement submitted to us as the viewpoint of the Committee on Economic Security, presented by the Secretary of the Treasury on Tuesday?

Mr. WILLIAMSON. I have not had an opportunity to read these hearings.

Mr. VINSON. I am sorry, because I feel that you have made a very strong presentation of your views; but the trouble is, we have different viewpoints.

You have your viewpoint of the language in the bill, and on last Tuesday there was presented to us the consensus of opinion of the Committee on Economic Security that changed the picture. For instance, we have now a recommendation of the Committee on Economic Security that the compulsory contributory tax be 2 percent in its initial levy rather than 1 percent, and that it run for 3 years.

Mr. WILLIAMSON. But still leaving in the unearned annuities.

Mr. VINSON. Then it would be increased to 3 percent for the second 3-year period, to 4 percent for the third 3-year period, to 5 percent for the fourth 3-year period, and 6 percent thereafter.

The unearned annuities are taken away, but provision is made so that those who would have secured the unearned annuity will get the benefits under the non-contributory old-age plan.

Of course, the money for that system would come, as I understand it, from your reserve.

Mr. WILLIAMSON. It will come from taxation.

Mr. VINSON. They have eliminated the unearned annuities.

Mr. WILLIAMSON. There is a difference in cost.

Mr. VINSON. There is a difference. The unearned annuity is a burden upon the Federal Government, and in the noncontributory plan the burden is shared by the State.

I think your viewpoint is covered in this recent recommendation of the Committee on Economic Security, because it is a near pay-as-you-go plan.

Mr. WILLIAMSON. The nearer it gets to that the better.

Mr. VINSON. I might suggest, if it is not asking too much, that we would like to have your views in regard to the recent recommendations submitted to the committee, if you could submit them to us for the record. That is based upon the report of February 5.

Mr. Treadway. If you can submit them, to suit your convenience, and file them with the clerk, they can be made a part of our record.

Mr. Reed. I am wondering if I understood one of your remarks correctly with regard to the building up of a reserve. Do you feel that due to the building up of a very large reserve there would be a larger demand upon the Government in the way of benefits?

Mr. Williamson. I think certainly that is true, particularly if the annuities are kept down to those that are apparently earned, it will be so infinitesimal for years, with all these large mounting funds, and it would seem unreasonable to hold back from a liberalization of the plan. No actuary could convince Congress it was necessary to hold down to these small amounts or it would throw it out of balance.

Mr. Reed. There would be constant demand upon Congress that the reserves go to increase the annuities?

Mr. Williamson. Yes; and the reserves are always liabilities as well as assets. As I view it, they are liabilities of the Government just the same as they are assets, and they are misleading in giving the appearance of solvency. The money is spent, and presumably the people as a whole owe the money back to the Government. Those are two aspects which must be back of these funds.

The Chairman. Have you made any study to show to what extent the Townsend old-age pension plan would be effective?

Mr. Williamson. Of course, I have read the papers. It does seem that a plan to give about half of the current national income to those people over 65 years old would be a very awkward interference with our general system.

The Chairman. Would you consider it either practicable, feasible, or sensible?

Mr. Williamson. Not as far as I know.

The Chairman. Would you care to give an analysis of it, or have you gone into it far enough to be able to do that?

Mr. Williamson. I have read certain reports. As I understand it, it plans to give $200 a month to each person over the age of 60, instead of 65, who will agree not to work, and that if the entire population who were eligible for it should apply to get it, there would be at least 10 million pensioners.

Inasmuch as 10 million pensioners would call for 24 billions of payment during the year, and apparently our current national income is only something over 40 billions, that allocation to this small group of so large a portion of the national income would be very difficult to administer, and the result would be that the rest of us would have to have very large transactions in taxes collected from us, either reducing our net income, or causing an inflation of the currency.

The Chairman. The supporters of that bill take the position that it will increase employment by taking those people over 65 years of age out of industrial pursuits or any kind of business occupation, and that that will leave room for those who are younger. They say that the money expended will stimulate business, and thereby generally increase employment, and that in that sense it would be a practicable, workable, and advantageous scheme.

Mr. WILLIAMSON. It seems impractical to most actuaries.

Mr. HILL. What in your opinion would be the inflationary effect of circulating that money in the country?

Mr. WILLIAMSON. I should think it would have a very decided effect if, as I say, half of the total normal income is allocated to older people; there would be a very strong demand to take the other half and double it, or perhaps treble it, very rapidly, to bring it back to do as much as it had done before, by the full amount of the benefit. I do not know how fast it would work, but I should think pretty rapid inflation would set in.

Mr. HILL. It was estimated by Dr. Townsend that this plan, if put into operation, would accelerate the turn-over of the dollar in business and other transactions at least four times over that of 1929, and it was claimed that the turn-over in 1929 was 132 times, which would make about 500 turn-overs of the dollar during the 12 months' period under Dr. Townsend's estimates.

What, in your opinion, would be the effect on the money values with which such a volume as that turn-over would bring about?

Mr. WILLIAMSON. I should think it would raise prices right off in order to cover the tax as fast as it went. I should think the turn-over would be very severe and that people would be very anxious to unload before the purchasing value of the dollar went down. I should think money would go pretty fast for a while, but I should assume that the faster it went the lower and lower would be the purchasing value.

Mr. HILL. And the lower the value of the dollar goes down the faster would be the turn-over, because the people would be trying to get hold of the more valuable commodities.

Mr. WILLIAMSON. Yes; and this money, as I understand it, is to be retired after 30 days and then, as I understand it, it has to be gotten back for cancelation inside of 30 days.

Mr. HILL. I do not understand that there is any cancelation.

Mr. WILLIAMSON. Just the first spender has to spend it.

Mr. HILL. It has to be spent in 30 days.

Mr. WILLIAMSON. I thought it was all earmarked in some way so that it had to go the rounds very rapidly.

Mr. HILL. No. The condition is that the man who receives $200 must spend it in 30 days, but there is no provision in the bill for the cancelation or the retirement of the currency.

The CHAIRMAN. We thank you very much, Mr. Williamson, for your appearance and for the splendid statement you have made.

At this point, with the permission of the committee, I would like to read into the record a letter I have received this morning. It reads as follows:

THE CARTER HOTEL,
IN THE HEART OF CLEVELAND,
February 5, 1935.

Congressman ROBERT L. DOUGHTON,
Chairman House Ways and Means Committee.

DEAR SIR: You're just an old meany to try and defeat Mr. Townsend's old-age plan. While I'm still young, I have nothing but work the rest of my life to look forward to if this plan is defeated. If it does go through, I can go back home and live off from my parents with my brothers and sisters like we used to do when my father was getting only half of what Mr. Townsend proposes, and we were very happy then.

Come now, Mr. Chairman, give us young fellows a break by supporting our parents so they can support us.

Yours truly,

C. G. Kelley.

I think that gives us a pretty good idea of what the practical effects of the bill would be, if it were enacted.

The next witness is Mr. James A. Emery, of Washington, D. C., representing the National Association of Manufacturers. We will be glad to hear your statement at this time, Mr. Emery.

STATEMENT OF JAMES A. EMERY, REPRESENTING THE NATIONAL ASSOCIATION OF MANUFACTURERS, WASHINGTON, D. C.

Mr. Emery. Mr. Chairman and gentlemen of the committee, the National Association of Manufacturers, an organization of men engaged in the transformation of materials into thousands of forms in all States of the Union, has had a very deep interest in the subject before this committee over a long period of time.

They have followed the previous studies of this question, made both by committees of the Senate in 1928, and by the select committee of the Senate in 1931, reported in 1932, and they agreed with the conclusions that were then stated by the select committee of the Senate in 1932, to which there was no dissent. That was that the subject of unemployment insurance which was immediately before them, was not within the scope of congressional authority by direct action.

They agreed with the proposals made by the Senate Committee on Education and Labor in 1928, as reported by Mr. Couzens, which went into the matter quite extensively, as to the relative suggestions made by that committee at that time.

They are entirely in sympathy with the objects that are here sought to be attained, and that is to provide practical means of security against the major hazards of life that arise from unemployment, old age, accident, sickness, and death.

They, however, realize the practical difficulties as well as the legal difficulties that are here presented.

In the plan immediately before the committee today, I venture to call your attention to the operating effect, as we perceive it, of the kind of tax here proposed which, we believe, would be injurious rather than beneficial to the objectives which the committee has in mind.

And, as to the proposal immediately involved in the alleged tax, we believe that when you examine it you will find it is not legally a tax at all; it does not give a legal basis for a tax, and I think you will perceive from an examination of the major cases that have been presented on that point that there are very serious objections to be offered to an exercise of congressional power of this character for this purpose.

In introducing this practical note into the discussion after you have heard from so many social authorities, we believe we are approaching it from the standpoint that was so well defined by Francis Place, who was called the radical tailor in his day, and who was described by Macauley as the first radical of England and the