

The CHAIRMAN. Mr. Hansen.

Mr. HANSEN. Yes, sir.

The CHAIRMAN. Please give your full name and affiliation for the record. You are the chief economic analyst in the State Department?

Mr. HANSEN. Yes, sir.

**STATEMENT OF ALVIN H. HANSEN, CHIEF ECONOMIC ANALYST,  
STATE DEPARTMENT**

Mr. HANSEN. I am appearing as the chairman of the subcommittee on unemployment insurance attached to the Cabinet committee on social security, and I should like to address myself very briefly to that aspect of the bill which concerns itself with unemployment insurance.

Senator COSTIGAN. Has the State Department for any special reason interested itself in this legislation?

Mr. HANSEN. No, sir; the State Department as such has not. The technical board is drawn from personnel of special divisions of the Government that for one reason or another have in their past experience or research been connected with these problems, and I have prior to coming to the State Department, been interested in the problem of unemployment insurance for some time.

Senator KING. Where? In what States?

Mr. HANSEN. As professor of economics in the University of Minnesota.

Senator KING. How long have you been with the State Department?

Mr. HANSEN. Since the first of July, this year.

I should like to address myself particularly to two problems, first, the general question as to the merits of a national bill versus the Federal-State type of bill; and, second, the question of the investment of the reserve. With respect to the first question, there was at first among the various members of the committee a great deal of support for the national type of bill, but the more we discussed the matter we arrived at the conclusion that it would be preferable to recommend the Federal-State type of bill.

Senator KING. You are speaking now of unemployment insurance?

Mr. HANSEN. Yes, sir; unemployment insurance.

And the reasons that led us to this conclusion, very briefly, are as follows:

We were much impressed with the fact that there are a good many States who have been very much interested in the question of unemployment insurance; quite a number of States have had commissions studying the question, and there has been aroused throughout the country, particularly in some of the leading States, a large measure of support for State action. Several of these States appear to be ready to act. We thought in view of this fact, it might endanger the whole progress of unemployment insurance if all of the State activity were nipped in the bud by passing forthwith a national law or if it appeared that the national law were in the offing, which for one reason or another might not materialize, and in view of that fact the State legislation which might have materialized would have fallen by the way.

Then, in the second place, we were also impressed with the fact that there is in the country a good deal of disagreement, honest disagree-

ment among people who have been particularly concerned with this question with respect to the type of unemployment-insurance bills that should be passed. We have some States which favor a plan by which individual plant funds or industrial funds are set up, and we have other States which favor a general State pool plan. Already we have the State of Wisconsin in the field with a law which provides for the individual plant fund as against the pooled fund, and we have a number of other States, notably Ohio, that has indicated that it favors the State pool type of fund.

For this reason it seems to me desirable that to enact a type of bill which would permit the different sections of the country as nearly as might be to enact the kind of unemployment insurance which seemed to them particularly appropriate and wise. Such a measure would permit not only the greater concessions to the wishes of the different regions with respect to the type of insurance they wished, but it would also admit a certain amount of experimentation out of which in the course of time we are to learn something with respect to the kind of legislation most appropriate for American conditions.

Another reason that had great weight with us in favor of the Federal-State type as against the national type is the fact that it seemed to a number of us that unemployment insurance is essentially a kind of cost that ought to be carried through by the employer or by the employer plus the employee if the States should desire to enact measures that would include contributions from the employee. It is essentially a kind of a wage, a kind of a deferred wage, a kind of wage which industry ought to bear and which ought not to come out of the general sources of revenue, let us say, such as income tax of the Federal Government. It seemed to a number of us that there was much greater danger if a national law were passed that eventually the sources out of which unemployment insurance were paid might be tapped from general Federal revenues if a national bill were passed than would be the case than if we had State laws which would be more likely because of their limited ability, their more limited ability to raise funds than seems to be the case with the national Government, would be more likely to keep the cost definitely upon industry itself.

It seems to me there is no more particular reason why a cost of this character should be paid for out of general revenues, let us say income tax for example, than that the cost of obsolescence of an industry or depreciation should be paid out of such funds. It would become an outright subsidy to a cost that ought definitely be borne by industry itself. However the statement I have just made has no immediate bearing upon the question whether or not employees might also make contributions because if employees made contributions, it would be from their standpoint a sort of contributory insurance, whereby the benefits they would receive would be enlarged by the fact that they made additional contributions over and above those made by the employer, but primarily in the first instance it is, it seems to me a cost that industry ought to carry.

Senator COUZENS. From that I gather, then, that your committee did not endorse the employees' contribution?

Mr. HANSEN. Our committee did not endorse employees' contribution so far as Federal legislation is concerned, but I think, in fact I know, that a good many members of the committee were they recom-

mending State legislation would recommend contribution to the States.

Senator BLACK. I understood that you thought it should be left largely to the States because you thought they would tax somebody's incomes?

Mr. HANSEN. That is one of the reasons I advanced that I think if it is left to the States that there is less danger of the funds for this purpose being raised out of general revenues, particularly being raised by such means as Federal income-tax legislation.

Senator BLACK. You of course understand that there is a tax on industry, that the consumers pay it, and that in the main the consumers are the people with very small incomes.

Mr. HANSEN. The cost is of course distributed in various ways that are rather difficult and intricate to trace out exactly what the final incidence is. It does not always weigh upon consumers. It depends upon the incidence of the cost. If it is a quasi-monopoly, I do not think you could argue that it weighs upon the consumer. If it is an industry in which there ought to be a few marginal producers, the effect upon the consumer would be relatively slight. Also in that case it is a very intricate problem exactly how it would be diffused over the whole community. I think unquestionably in part it would, whereas the cost of industry, it would in the ultimate analysis result in the readjustment in turn of the distribution of the funds that the employer makes to the various contributing elements in the enterprise, and there is very good ground for support of the theory that even though the employers in the first instance pay the contribution, that in the ultimate analysis it tends to rest upon the wage earner.

Senator BLACK. It is the same as the sales tax, isn't it?

Mr. HANSEN. No, sir; I do not think it operates the same as a sales tax.

Senator BLACK. Does it not operate the same as a manufacturers' sales tax?

Mr. HANSEN. By a manufacturers' sales tax, do you mean a definite tax upon the manufacturer?

Senator BLACK. Paid by the manufacturer.

Mr. HANSEN. That is not the same as a sales tax. It operates quite differently.

Senator BLACK. It has the same result, hasn't it, insofar as where it ultimately goes?

Mr. HANSEN. If it is a sales tax upon manufacturers, upon each unit of the product produced, it would operate quite differently from this tax, because this is a tax upon the pay roll and would vary quite differently from a tax which was upon the product, say 10 or 50 cents upon each unit of product produced. It is however definitely a cost of industry, and since it is a sort of deferred wage I think there is a good deal of difference, but it is a very complicated matter and would vary differently in the various industries. There is a good deal more to it which has to be considered, the insistence of it. It ultimately weighs upon the wage earner, but the wage earner is the one that gets the chief benefits.

Senator BLACK. When you put a tax on the manufacturers, whether you call it a pay-roll tax or a sales tax or anything else, the consumer ultimately pays it.

Mr. HANSEN. No; I would not agree with that. I think it is much more complicated than that.

Senator COUZENS. It depends entirely, as I see it, upon whether the producer is a marginal producer.

Mr. HANSEN. Or whether it is a monopoly. There is a vast number of factors, and it is a very intricate matter. I should not say off-hand that it just automatically shall go on the consumer.

Senator BLACK. It may not be automatic, but isn't it a fact that is well recognized, that when you impose a sales tax; you say there is a difference?

Mr. HANSEN. There is a difference.

Senator BLACK. But when you impose a sales tax, the major portion of that tax always goes to the consumer.

Mr. HANSEN. Yes; but let us address ourselves to this particular question we are concerned with and not the question of the sales tax.

Senator BLACK. You do not think they are the same?

Mr. HANSEN. No; I do not think they are the same.

Senator BLACK. They do not have the same name, but they both have to be paid by the manufacturer, do they not?

Mr. HANSEN. Yes.

Senator BLACK. And both of them are taxes?

Mr. HANSEN. Yes, sir.

Senator BLACK. Is it not true that it is a well recognized fact—I understood that you had taught in the University of Minnesota?

Mr. HANSEN. Yes; sir.

Senator BLACK. Is it not true that it is a well recognized fact that in every college in this country and in every book on economics that has a high standard in this country that it is generally recognized that a sales tax in the major portion of its amount, eventually falls upon the consumer?

Mr. HANSEN. I do not like to discuss here the sales tax, because I think there is a difference between the sales tax and this tax. I would say that it is not true that it is a well recognized fact that a tax of this character automatically does.

Senator BLACK. What would you say about a sales tax?

Mr. HANSEN. A general sales tax?

Senator BLACK. A manufacturers' sales tax.

Mr. HANSEN. I would want to have a little clearer in mind what you mean by a manufacturers' sales tax. Again that might be thought of in different ways. I would like to address myself to this particular tax, and it is not true that general economic theory has been —

Senator BLACK (interposing). Do you not as a professor of economics and as a student of economics over a long period of years, do you not know whether it is recognized in all standard books on political economy which you have taught and which are generally taught in the colleges, that a manufacturers' sales tax if imposed, in most instances falls upon the consumer.

Mr. HANSEN. I repeat. I would like to know exactly what kind of a manufacturer's sales tax you are talking about.

Senator BLACK. I am talking about a sales tax that is imposed on the manufacturer which he is required to pay to the United States Government before he sells his goods.

Mr. HANSEN. But, Senator, why can't we just as well direct our attention to this particular tax we are talking about—a tax on pay rolls?

Senator BLACK. Do you know that or do you not, Doctor?

Mr. HANSEN. I would like to address myself to this tax on pay rolls, and there you will find in the economic literature the views that it does not automatically rest upon the consumer—the particular tax we are addressing ourselves to.

Senator BLACK. I am not talking about “automatically”.

Mr. HANSEN. Or even in the long run, because it is a very complicated matter as to how the incidence of it is used in the entire community; it varies very greatly with every different industry according to the different differentials of cost curves between the different producers.

Senator BLACK. I understand then that you state here from your knowledge of economics and having taught economics and your familiarity with books on economics, that it is not true that it is a well-recognized principle in economics that the major portion of the manufacturers' sales tax must inevitably fall upon the consumer?

Mr. HANSEN. I have not answered that question because I do not think it concerns the problem before us. I would like to limit ourselves to this tax on pay rolls as a specific and definite thing.

Senator BLACK. Do you know the answer to that question that I have asked you, or do you not?

Mr. HANSEN. I would like to know precisely the nature of the sales tax are talking about.

The CHAIRMAN. Professor, I probably committed an error. We invited Dr. Epstein to come here today; in fact, he was second on the list. I thought we would get along with the others before calling him if they were not to take too much time.

Senator BLACK. If you would rather have him, I won't ask any more questions.

The CHAIRMAN. I was just wondering if you would not desist for a few minutes, Mr. Hansen, because you are available; you are in the State Department.

Mr. HANSEN. I would like to complete my statement, because I am very busy with other things and it won't take very long, if you will permit me.

The CHAIRMAN. I think it is going to take quite a while the way we are going at it, because the Senator has asked you a pretty important proposition.

Senator BLACK. It would be very short if he would answer the question.

The CHAIRMAN. Go ahead; we will proceed, but I should like to get through with Dr. Epstein this morning.

Senator COUZENS. There is one phase that has not been brought out which I would like to ask this witness, and that is whether or not this pay-roll tax will not in itself tend to decrease pay rolls generally?

Mr. HANSEN. I think we have to view this problem from the standpoint of the whole cycle, and not from the standpoint of its incidence in the first month or two in which it is applied.

Senator COUZENS. I did not ask you for a specific answer; I asked you what the tendency would be. Would not a 3-percent tax on the

pay rolls automatically induce the employer to reduce his pay roll as much as possible so as to minimize the tax?

Mr. HANSEN. The first immediate effect of it—so long as we are not getting the counter-influence in the payment of benefits—the first immediate effect of it is a tendency in the direction of a depressional influence upon industry, I think. It depends a good deal upon what the state is of the investment market. It is conceivable it might not have that influence. If the funds were poured back into the investment market, it might conceivably have a stimulating influence. If, however, it takes place very early in the period of revival in a condition of deep depression, I think the first impact of legislation of this sort is depressional. It is only very slightly so, however, and not of any very great importance, but we have to make a start at one time or another, and when you view the effect upon the whole cycle, then I think the answer would be quite different. But in the first instance in a period of depression, I think that the effect is, as your question indicates, and for that reason we recommended that the tax be small in the first years should it prove that revival was not advanced so far.

The CHAIRMAN. Now, Senator Black.

Senator BLACK. I have had such a difficult time to get an answer. As I understand, you do say that there would follow a natural tendency, which is an economic law, for a manufacturer to attempt to shift his burden. It is your judgment that there would be a tendency in the beginning to put it on the wage earner.

Senator COUZENS. No; he did not say exactly that.

Senator BLACK. He said there would be a tendency to reduce wages, as I understood your question.

Senator COUZENS. Not necessarily the per diem wage or the hourly wage, but the number of employees so as to decrease the aggregate of his pay roll over the whole, so that he would have less taxes to pay.

Senator BLACK. That is in response to a well-recognized social or economic law that when a tax is imposed upon industry, it seeks to relieve itself in some way from that tax.

Mr. HANSEN. Yes; but the mere fact that an employer seeks to relieve himself of a tax does not mean that he can do so.

Senator BLACK. Of course not.

Mr. HANSEN. And you have to analyze the different competitive forces at work.

Senator BLACK. There is a tendency to do that, however?

Mr. HANSEN. That all depends upon the conditions of that industry. In the case of certain industries it would be quite impossible to do so.

Senator BLACK. As I understand it then, whether there is a tendency on the part of a man to try to relieve himself of a tax or not depends on the industry?

Mr. HANSEN. It depends upon the competitive forces at work, because the employer is always trying to relieve himself of all the burden he possibly can, but he is not always able to do so because of the fact that there are general economic forces that prevail. Further we have to examine into the picture, into the conditions of every industry, into the conditions of demand, into the conditions of supply in that industry, and it is a very complicated matter to answer.

Senator BLACK. I will ask one more question and if you do not care to answer it, very well. Is it not a fact that it is a well-recognized principle in economics with which you are familiar and which you have taught yourself in the colleges in line with what is in the books——

Mr. HANSEN (interposing). I have written some books also myself, Senator.

Senator BLACK. All right. Isn't it true that the well-recognized principle is that in the major volume, when a tax is imposed upon manufacturers, a sales tax, that it is passed on to the consumer?

Mr. HANSEN. I again say I would like to know exactly the kind of sales tax you are talking about and I do not see why we should complicate the issue, because we have here a very specific tax and I do not see any reason why we should not direct ourselves as to how this particular tax operates rather than some other kind of a tax. I would be glad to answer your question when it applies to a tax on pay rolls, which is what we are talking about, and my answer is that there it is not a generally recognized fact that such a tax is passed on to the consumer, because it is a very complicated question whether it is passed on or not, depending on conditions of demand in that industry, depending upon conditions of supply in that industry, which is a very intricate matter. It is not any simple proposition such as you seem to infer from your question.

Senator CONNALLY. Are there any pay-roll taxes in operation in the United States now, in some of the States or any of the States?

Mr. HANSEN. Not that I know of, Senator.

Senator CONNALLY. How can you direct it to this particular tax if we have nothing in experience to draw from?

Mr. HANSEN. We have plenty of things to draw from on the grounds of general reasoning, even though we do not have any particular tax on pay rolls at the present moment. I do not recall any; there may be such.

Senator KING. There are in some other countries?

Mr. HANSEN. Yes.

Senator KING. So you have experience?

Mr. HANSEN. Plenty of experience from other countries.

Senator KING. You have experience which has been evolved in other countries?

Mr. HANSEN. Yes, sir.

The CHAIRMAN. Go ahead.

Mr. HANSEN. Then with respect to administration and efficient standards of administration, one of the arguments in favor of the national law is that it would help to impose somewhat more efficient standards of administration than might be possible in the various State laws. This bill, however, was not a national bill, does seek to build up better standards of administration in the State laws by the grant in aid, and on the whole it was our view that substantially the same result might follow from an act so far as efficient administration is concerned, from an act whereby the Government safeguarded standards of administration by means of a conditional grant in aid as would be the case were it directly in charge of the administration.

Senator COUZENS. Do you believe standards should be set up as recommended by Mrs. Lamb of the National League of Women Voters?

Mr. HANSEN. I do not now have at the moment exactly what she recommended.

The CHAIRMAN. She testified just before you did.

Mr. HANSEN. Yes; I remember. I do not recall precisely what she said.

Senator COUZENS. Do you believe any standards should be set up?

Mr. HANSEN. I am speaking now of the standards of administration rather than standards with respect to the State acts themselves. Yes; in general, I would be in sympathy with what she said about the standards of State acts themselves with respect to waiting periods, and so forth. I think there are many difficulties which we considered involved.

Senator COSTIGAN. She mentioned the length of the waiting period, the size of the benefits, and the duration of the waiting period.

Mr. HANSEN. Those are the standards I was speaking of; I was speaking of the standards of administration which are covered in the act and where definite standards are provided for in the act. The other standards, I think, insofar as possible, still leave some measure of flexibility in the States because of their different unemployment experience—some States having very serious unemployment and others not so serious, although as a matter of fact the difference is not so great as offhand one might suppose between different sections of the country, yet there is some considerable difference and it would seem that there ought to be some degree of flexibility, and it is difficult to impose satisfactory minimum standards. I think it is something to which consideration could well be given, and generally I would be sympathetic with the view that minimum standards might well be imposed by the Federal act.

However, we are speaking at the moment of standards of administration directly covered by the bill.

Now, if I may speak very briefly about the investment of the funds. The bill provides—and I conceive this to be a very important feature of the bill—it provides for centralization of the funds into a trust fund under the control of the United States Treasury.

Senator BYRD. At that point have you a statement of the yearly incomes that you anticipate from this tax?

Mr. HANSEN. It is anticipated that it will probably be \$850,000,000 a year. Its ranges from bad times to peaks of prosperity, from about \$600,000,000 to about \$1,100,000,000. The figures are somewhat of that order of magnitude.

The CHAIRMAN. I think that was put in the record by Dr. Witte.

Mr. HANSEN. If there were no centralization of the funds as provided in this bill, every State would naturally invest the funds, and the result would be that there would be no centralized control of the funds, and the effect of such investment, automatic investment as the funds flow in, might well be to have an unstabilizing effect upon the credit cycle, it might well be to intensify the boom and also intensify the depression, and the reason for that is that if these funds are gathered from employers, and let us say also, perhaps, from employees, and are invested in the bond market, the tendency is to withdraw the purchasing power in part from the field of consumption and to stimulate the investment of funds of purchasing power in fixed capital of all sorts.



We know that the leading characteristic of a business cycle is that a boom is characterized by a very large investment in fixed capital and a depression is characterized by a virtual cessation in the fixed capital, and it is essentially because of that fact that the purchasing power of the community enormously fluctuates from one period to the other. If funds are not being poured out in the investment market in a period of depression, that means that a large amount of potential purchasing power is being held idle and consequently the total monetary purchasing power of the community declines. If you have a vast amount of funds or a considerable amount of funds—and the order of magnitude here is not such that would particularly frighten one from the danger that I am here talking about, but at any rate it is of considerable size—if funds of this sort are poured into the investment market, the tendency would be to increase excessively the investment in fixed capital, and therefore artificially and unduly stimulate the boom even more than would be the case without this added stimulation to the capital market, with consequent danger of greater recession later on.

Oh the other hand, if the funds are centralized in the manner as provided in this bill, it is possible to utilize these very funds as a stabilizing device. In the early part of the revival it is quite probable that the appropriate action would be to invest these funds in securities, thereby pouring them into the capital market and thereby stimulating further advance of business prosperity.

However a time comes sooner or later when it is desirable to put a check to excessive investment in fixed capital, at which time the funds instead of being poured back into the capital market, might be held idle by such a device as a deposit of these funds with the Federal Reserve banks, which would have the effect automatically of reducing the reserves of member banks with the Federal Reserve bank; in other words, have the same effect as open-market operations of a sort where the Federal Reserve banks are selling securities and thereby pulling down the reserves of the member banks. It would have a definitely restraining influence.

While the funds lay idle in this fashion in order to provide earning power for the trust fund, for the unemployment trust fund itself, the bill provides that a new issue of government bonds might be supplied to the trust fund in order that the fund should continue to earn a certain rate of interest on the amount that has accumulated.

Senator KING. You mean the Government would borrow the trust fund?

Mr. HANSEN. The Government would virtually in that event not be using the funds they had gotten from the trust fund, because they would hold them idle in order to hold a check on the advance, and the Government would in effect be paying a small subsidy for the trust fund without getting a corresponding quid pro quo return, therefore, but utilizing it as a further device for checking expansion. Of course, if expansion is to be checked through the Treasury in some such manner, it must hold the funds idle or the Federal Reserve must hold their assets and reduce the reserves of the member banks and thereby put a check on further expansion in the money and capital market.

So that this measure provides an instrumentality by which there may be brought to bear at one time a stimulus to the market, if that

is necessary, and at another time a restriction upon the market if that is necessary.

Senator CONNALLY. Do you think that is any of our function here? We have all that we can do without trying to regulate inflation, whether or not to invest this in Government bonds and let them lay there, and procedure like that?

Mr. HANSEN. I mention this because I think if that were done, it would have a tendency to make the credit cycle more unstable than it has been.

Senator CONNALLY. Isn't that the function of Federal Reserve banks or the Treasury?

Mr. HANSEN. It is the function of the Treasury. The Treasury under this bill is in control of the fund, and therefore instead of having a still further difficulty to contend with in stabilizing the cycle, having control of these funds, it can manage them in a manner which will help to stabilize the cycle.

Senator CONNALLY. Why should we tell them in this bill what to do or how to do it?

Mr. HANSEN. We do not do that. It is absolutely flexible with them. It is up to their own judgment entirely.

Senator CONNALLY. You are suggesting a plan how that can all be done?

Mr. HANSEN. Yes; how they might function, but it is left absolutely to their judgment as to how they will do that. I am merely pointing out how under the bill the Treasury can utilize these funds, as a stabilizing device, which would not be possible if it were left to all of the various States and they automatically invested them in bonds.

The CHAIRMAN. But that is for the Treasury to determine after they get these funds in there?

Mr. HANSEN. Yes, sir; but it is very important that the funds be centralized, and it is absolutely up to the Treasury as to how they manage it.

Senator KING. As a legal as well as a moral proposition, is it not the duty of a trustee of a trust fund to use it for the best advantage of the cestui que trust?

Mr. HANSEN. There is nothing in this bill that would indicate anything to the contrary whatsoever, because the funds must be invested in obligations of the United States Government, either the primary or the secondary obligations, the obligations of the Government which it guarantees or those which it issues directly.

Senator COUZENS. Do you want us to change that?

Mr. HANSEN. No; I am merely pointing out that the bill, as it stands, is, I think, in that respect an important feature as against the type of investment which would inevitably occur were there not a centralization of these funds.

Senator KING. Your argument and presentation this morning would only be of importance if someone challenged the provisions in the bill with respect to control in centralizing the fund in the Treasury?

Mr. HANSEN. That is right, sir.

The CHAIRMAN. They have not been challenged.

Senator KING. Just one other question I would like to ask, Mr. Hansen. In the consideration of this bill from alpha to omega, did you consider any of the legal and constitutional questions and power

of the Federal Government to invade all these fields or the power of the Federal Government to control the States?

Mr. HANSEN. Of course we gave some consideration to it. However I do not feel competent to discuss the constitutionality.

Senator KING. I am just wondering whether anybody in all of these ramifications and these discussions in these committees has considered the constitutional questions.

Mr. HANSEN. Very carefully.

The CHAIRMAN. The Attorney General was on the committee, was he not?

Mr. HANSEN. Yes sir.

The CHAIRMAN. And in the technical committees they had a representative of the Department of Justice?

Mr. HANSEN. That is right.

The CHAIRMAN. Was there anything else now, Doctor?

Mr. HANSEN. No, sir.

The CHAIRMAN. Thank you very much.

Senator LONERGAN. I should like to ask just one question before you go, Mr. Hansen. Can you tell us please what percentage of private industry has an established unemployment-insurance system?

Mr. HANSEN. It is a very, very small percentage.

Senator LONERGAN. Less than 1 percent?

Mr. HANSEN. Less than 1 percent. It is a very, very small percent.

Senator LONERGAN. Is that a system of contribution on the part of the employer and the employees?

Mr. HANSEN. It is usually a system of contribution on the part of both the employer and the employee.

Senator LONERGAN. Thank you.

Senator LONERGAN. Mr. Chairman, I desire to have placed in the record proposed amendments to the pending bill presented by the National Conference of Catholic Charities, Washington, D. C.

The CHAIRMAN. They may go in the record.

(Letters referred to are as follows:)

#### AMENDING SOCIAL SECURITY BILLS (S. 1130; H. R. 4120)

##### AID FOR CHILD WELFARE SERVICES

SEC. 703. In order to enable the Federal Government, through the Children's Bureau, to cooperate with the State agencies of public welfare in extending and strengthening, especially in rural areas, and in other areas where such services have not been organized or are inadequate to meet the need, welfare services for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, there is hereby appropriated for the fiscal year ending June 30, 1936, from funds in the Treasury not otherwise appropriated, the sum of \$1,500,000 and there is hereby authorized to be appropriated, the sum of \$1,500,000 for each fiscal year thereafter. From this amount so much, not to exceed 5 per centum, as the Children's Bureau shall find to be necessary for administering the provisions of this section and for investigations and reports related thereto, shall be deducted annually for this purpose to be available until expended. The remainder shall be available for (a) cooperative demonstrations looking toward the assumption of full State and local responsibility, following a demonstration period, or for services of a more permanent character, such demonstrations and services to be carried on through the Children's Bureau and the State agencies of public welfare, with the cooperation of health and welfare groups and organizations, in areas predominantly rural and among groups of the population in special need, and for (b) assisting the State agencies of welfare in developing State-wide services for the stimulation, encour-

agement, and assistance of adequate methods of community child welfare organization for the prevention and treatment of dependency, delinquency, and other types of social need among children. The sums provided for cooperative services under this section shall be available for expenditure until the close of the succeeding fiscal year.

SEC. 203. As used in this title, "dependent children" shall mean children under the age of sixteen in their own homes living with one or both parents or relatives within the second degree, that is, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, and in which home there is no adult person, other than one needed to care for the child or children who is able to work and provide the family with a reasonable subsistence compatible with decency and health.

The CHAIRMAN. Dr. Epstein.

#### STATEMENT OF ABRAHAM EPSTEIN, REPRESENTING THE AMERICAN ASSOCIATION FOR SOCIAL SECURITY

The CHAIRMAN. Did you have anything to do with the drafting of this legislation?

Mr. EPSTEIN. With some parts of it, but not with the unemployment insurance. The little bit with the old-age pensions unofficially.

The CHAIRMAN. Unofficially?

Mr. EPSTEIN. Unofficially and secretly.

Senator COUZENS. Before you go ahead, will you let us have your experience?

The CHAIRMAN. Please give the committee some of your background.

Mr. EPSTEIN. I might say, Mr. Chairman, that I have myself devoted about 19 years to the general subject of social security, most of the time to old-age pensions, that I have written most of the books on the subject in this country, and I represent an association which for nearly 10 years has been primarily interested in the promotion and advocacy of these particular types of legislation. Social security has been our chief undertaking.

Senator KING. Who financed your institution or association?

Mr. EPSTEIN. It is made up entirely of voluntary contributors, about seven or eight thousand members throughout the country. No rich man ever financed us. It is made up primarily of the middle-class, intelligent, liberal people who are interested in the procurement of social legislation.

The CHAIRMAN. In your study of the old-age pension, have you given study to the Townsend plan?

Mr. EPSTEIN. Considerable, I should say, Mr. Chairman.

Senator CONNALLY. Has Dr. Townsend contributed anything to your organization?

Mr. EPSTEIN. The only thing he contributed is probably a nuisance.

Senator CONNALLY. How about his predecessor, Dr. Pope? Did he contribute anything?

Mr. EPSTEIN. Dr. Pope was a little bit easier to handle; we knew just exactly where the dimes went to, we could count almost the dimes, because there was a definite method of dime counting and it was easy, especially since he had a criminal record for about 30 years, so it was not very difficult. Now the Townsend plan is a promotion job which is very cleverly done—I should say the finest promotional job which has ever been done in American history.