

Mr. EATON. The gentleman has not heard what I am going to say.

Mr. FITZPATRICK. But I know what the gentleman is going to say.

Mr. EATON. If the gentleman will give me the recipe for knowing what is in another man's mind, I would like very much to have it.

Mr. FITZPATRICK. Will the gentleman yield?

Mr. EATON. Not now. In the New York Sun of Monday, April 15, 1935, occurs this statement:

Last Friday a section of the Dun & Bradstreet weekly review was quoted as follows: "During the week there was a complete transformation of sentiment, as the hopes for a rather far-removed improvement were replaced by a realization that the immediate future is to bring the sharpest rise that has been witnessed in business in the past quarter of a century." Today the agency explained the rather optimistic prophecy by sending round this statement: "No significant information justified the inadvertent and unauthorized departure from our policy of not making predictions as to the future business trend which was evidenced in our weekly review of business released under date of April 12, 1935."

Mr. Chairman, I shall confine my remarks in the few minutes assigned to me to one point. We have in this great legislation proposed here two alternatives for the solution of a problem that transcends all political considerations, all sectional considerations. There is no doubt in the world that the time has come when this Nation must face intelligently and, by and by, successfully the problem of taking care of its unemployed and its aged people. In this legislation we have our choice between two general principles. One is that the Federal Government shall intrude upon the States of the Union by or through the force of Federal grants and determine largely the policy of those States and thus make the State the instrument of raising the funds and distributing them for caring for the aged and solving the unemployment problem. On the other hand, I believe, there are to be introduced here one or two substitute proposals in which the Federal Government shall take supreme command, assume complete responsibility for raising and distributing the money. This House will have to decide between those two great general principles in its application to the solution of this problem.

I ask this House to give attention to one problem that seems to be entirely lost sight of in all the vast money-spending legislation under this new-deal administration, and that is the question as to where the governments, national and local, of this country are to find the financial resources to take care of all these responsibilities which we are assuming. I read to you the figures of the census of 1930. We had at that time 122,000,000 people. We had 48,829,000 people gainfully employed. Thirty-eight million of them were males and 10,000,000 were females. We had 210,000 industrial institutions or establishments producing wealth of more than \$5,000 value. The question that I am raising here is the foundation question of our civilization. We have intruded ourselves through the administration and through this legislative body into the front ranks of those seeking a solution of this problem, and unless we face it and go to the bottom of it, which we have not begun to do yet, we are going to destroy the foundation of our civilization.

In 1929, which was the banner year of prosperity, so called, we had 210,000 establishments producing more than \$5,000 worth of wealth each a year. We had 8,838,000 employees in those institutions as wage earners, who earned \$11,600,000,000 in a year. We had in those institutions working on salary 1,358,000 people with salaries of \$3,500,000,000. The total value of the output that year, the greatest in the history of any nation since time began, was something over \$70,000,000,000. Of that, \$38,000,000,000 was cost of material and \$31,000,000,000 was value added by manufacture. In good times or bad times that reservoir of newly created wealth constitutes the only source of spending money, public money or private, for 125,000,000 people.

The question that I lay upon your minds, gentlemen, and upon my own thought as a citizen of this country, regardless of politics, is, What are we going to do with that instrument, the one goose that lays the golden egg, namely, the wealth-producing agencies of this Nation, in agriculture, industry,

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to proceed for half a minute.

Mr. DOUGHTON. I object. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment-compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. EATON].

Mr. EATON. Mr. Chairman, on Saturday last my beloved friend the gentleman from New York [Mr. FITZPATRICK], called attention to a statement by Dun & Bradstreet to the effect that prosperity is headed our way. I rejoiced to hear that, but regret exceedingly that the statement was not well founded.

Mr. FITZPATRICK rose.

Mr. EATON. Oh, I am not going to yield to anybody today.

Mr. FITZPATRICK. But the gentleman mentioned my name.

and finance? What are we going to do with it and what are we doing with it now? The attitude of the new-deal administration, of the majority in this House, and of millions of people today is an attitude of hate and antagonism, and you hear on all sides attacks made on business, big and little, and upon individuals engaged in business. I admit that the industrial leaders of this country have been and are just like the rest of us. I admit that among them have been rascals and thieves and fools, just as there have been among politicians and among every other class in the country; but the great rank and file of men and women in this Nation, who are bearing its burden and are producing the only wealth we have to meet these obligations, are the industrial leaders and farm producers of this Nation—men and women of character, ability, and honor. What is the Government doing? Taxing them beyond belief, regulating them with redtape and bureaucracy and primitive legislation beyond their endurance to support; going into competition with them in business, leaving them unprotected against the competition of starving-wage countries. No business man today has the slightest notion in the world what is going to happen to him tomorrow. He is forced to spend time and money coming to Washington to ask what he can do, if he cannot do this or that, instead of not only being permitted but being encouraged by the Government to stay at home and run his own business.

So I ask this House in all earnestness, not as members of this party or of that, but as citizens of the United States, to begin the study where it must begin and end, namely, in the wealth-producing energies of this Nation. If you are going to put the wealth-producing industries of this Nation under unfair and uneconomic Government competition, under Government control by inexperienced bureaucrats, you are going to kill the goose that lays the golden egg. There is no other source for any dollar used by any government except in the brain and brawn and sweat of some wealth-producing man or woman somewhere in this Nation. [Applause.] Those are the people who ought to have our sympathy and our understanding, and we ought not to stand here and curse them as if they were public enemy no. 1.

Wipe them out and you wipe yourselves out; you wipe government out and finally you will destroy every institution in this land. So I say that the protection and perpetuation of the wealth-producing instrumentalities of this Nation by our Government transcends politics. It transcends partisanship. It goes to the very foundations of our civilization. The function of all industry is to serve society by assuring economic security and liberty to all who deserve it. The function of government is to encourage and protect industry in performing this public service.

I close with a quotation from Lord Macaulay made a hundred years ago:

Our rulers will best promote the improvement of the people by strictly confining themselves to their own legitimate duties, by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment—by maintaining peace, by defending property, by diminishing the price of law, by observing strict economy in every department of the State. Let the Government do this—the people will assuredly do the rest.

So I lay this central thought of industry, rural and urban, upon your conscience and your intelligence and ask that you give it consideration as the very foundation of our civilization. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. MARCANTONIO].

Mr. MARCANTONIO. Mr. Chairman, the day before yesterday one of the superdetectives of this House decided to tackle one of the fairest proposals presented to this House, namely, H. R. 2827, in detectivelike fashion. He went around snooping and finally came here, and in dealing with this bill he hurled the cry of "communism", and then continued to repeat "communism." All he saw around this bill was whisks. He saw a boogey man and he started to run from it, and he appealed to the House to follow his example. That

is the only manner in which this bill has been attacked thus far.

There are two bills before this House which I believe attempt to deal comprehensively with the problem of social security. One is the bill known as "H. R. 7260", which fails to accomplish this purpose, and the other is H. R. 2827, which deals adequately and successfully with this problem. We all agree that unemployment insurance and old-age insurance are inevitable. They are bound to come in America. We must have unemployment insurance and we must have old-age insurance. So therefore the question which comes before this Nation at this time is the method by which social security is to be paid. Are you going to place the burden of caring for the poor on the shoulders of the poor, or are you going to place the burden of caring for the poor on the shoulders of the community as a whole, and especially on those who can well afford it? Under the plan in H. R. 7260, we establish a vicious antisocial system. We establish a system whereby the payment for the care of the unemployed and for the care of the aged is to be met by means of various pay-roll taxes.

I do not believe there is a single man in this House who accepts the statements in the bill to the effect that the tax, in the case of unemployment insurance, is to fall solely on the shoulders of the employer. Anybody who believes that still believes in Santa Claus. We all know that with labor's last line of defense crushed today, with 11,000,000 unemployed, with a charity wage scale being imposed throughout the Nation on all public-works projects, labor has no line of defense against any wage cuts. This 3-percent tax, which you say has been levied on the employer, inevitably must fall on the shoulders of the wage earners of America, because with 11,000,000 potential scabs, labor cannot defend itself against any wage cuts. You cannot escape from it. You are establishing once and for all, if you pass this bill, a vicious antisocial system of having the poor carry the burden of caring for the poor.

I believe that America is the richest Nation in the world. In this Nation, where we have more wealth than any other Nation, I think it is proper we should establish the system proposed under H. R. 2827, whereby in this greatest and wealthiest Nation in the world there should be no hunger, no starvation, and no want, and that the unemployed of this Nation, as well as the aged of this Nation, should be taken care of by the United States of America through taxation, levied on the large incomes of this Nation, putting the burden squarely where it equitably belongs, and not on the poor of the Nation as the Doughton bill intends to do.

The only argument which I believe seems to be more or less appealing which is advanced in favor of H. R. 7260 is that under section 201 (a) it sets up an old-age reserve account and that under section 910, subdivisions (a) and (b), there is set up an unemployment trust fund, and it is claimed that the unemployment trust fund, as well as the old-age fund, will build up a reserve which can be eventually used for the purpose of withdrawing tax-exempt securities. Now, let me quote, not from any Communist paper or from any Communist organization but from the Analyst, which was published by the New York Times on February 22, 1935. There it says, discussing the reserve funds established by this bill:

(1) Financial reserves can be effective only in cases where contingencies can be calculated and determined by actuarial methods and where these contingencies arise in sufficient regularity to permit the arrangement of reserves in accordance therewith. (2) The incidence of depressions is irregular and unpredictable, and hence defies actuarial procedure. (3) Purchasing power cannot be stored up en masse under our money system, which is a system of debt, rather than metallic circulation. (4) The attempt to create unemployment reserve will intensify booms. (5) Unemployment reserves are incapable of mobilization when needed and any attempt to mobilize them will only result in further intensification of depression.

Further, in the last analysis, what do we seek to do with these reserves? On the one hand, we attempt to call in the so-called "tax-exempt bonds", but, on the other hand, we intend to do this by removing whatever little purchasing power the people of America possess. By 1970 we will have

frozen from them the sum of \$32,000,000,000, according to the table which exists on page 6 of the report on this bill.

So all we are doing here is cutting off our nose to spite our face. We cannot do away with the evil of tax-exempt securities by this method. Everybody recognizes that America's problem today is lack of purchasing power on the part of the American workers; they have practically no purchasing power left. When we attempt to remove a further portion of this purchasing power by pay-roll taxation we only accentuate the problem, we do not alleviate it.

Let me read from the report of the committee with reference to the present unemployed. The Doughton bill does nothing for those at present unemployed. The report states:

It should be clearly understood that State unemployment-compensation plans made possible by this bill cannot take care of the present problem of unemployment. They will be designed rather to afford security against the large bulk of unemployment in the future.

So, right in this report we have the admission that under this bill nothing is being done for the present 11,000,000 unemployed. Oh, you may refer to the \$4,000,000,000 work-relief bill, but, Mr. Chairman, after this \$4,000,000,000 are spent in the manner in which it is going to be spent at an average wage of \$50 a month, those unemployed at present will find themselves right back in the position they are today before the expenditure of the \$4,000,000,000.

Mr. Chairman, permit me to say to the Members of the House that the bill (H. R. 2827) has received the endorsement of thousands of labor organizations and of hundreds of organizations affiliated with the American Federation of Labor, of social and welfare workers, and of educators throughout the country.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 2 additional minutes to the gentleman from New York.

Mr. MARCANTONIO. The main argument advanced against H. R. 2827 is that there is no difference between the system set up under that bill and the present system of relief whereby the unemployed workers of this Nation are paid a charity wage, or a charity dole, forcing them to adopt a standard of living based on charity. This argument is fantastic and silly. Under H. R. 2827, however, the unemployed workers of this Nation during their period of unemployment are paid the wage prevailing in their community at the time of their unemployment. In other words, the unemployed worker will receive the same wages he was receiving at the time he was employed.

Mr. CONNERY. Mr. Chairman, will the gentleman yield?

Mr. MARCANTONIO. I yield.

Mr. CONNERY. And there is no tax on pay rolls which, eventually, has to be paid by the workers themselves.

Mr. MARCANTONIO. The gentleman is correct. The only tax levied under H. R. 2827 is a tax on the large incomes of this Nation, where taxation to support this kind of legislation should be placed.

The difference between this bill and relief is that with relief you reduce the American worker to a charity level and lessen his purchasing power, destroy his morale and self-respect, whereas under H. R. 2827 the American worker retains his purchasing power. During his period of unemployment, under the provisions of H. R. 2827, the American worker would retain not only his purchasing power but his standard of living and his self-respect; and, more important than all, he can raise his head high and say, "I am proud to be an American citizen." [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 30 minutes to the gentleman from Arkansas [Mr. FULLER].

Mr. FULLER. Mr. Chairman, this bill from the Ways and Means Committee, H. R. 7260, and known as the "social-security bill", is the greatest humanitarian measure ever presented to an American Congress. Its prime object is to help those who are not able to help themselves and to lend aid and comfort to the aged poor. It provides a pension for those over 65 years of age and in need. At this time there are in the Nation approximately seven and

one-half million over 65 years of age and multiplied thousands are without means of support and dependent upon others. As years go by this number will be increased. The great number of needy at this time is due, to a great extent, to the financial depression through which we are passing. They have contributed their part to the building of the great institutions and industries of this country; they tilled the soil, educated their children, and endeavored to make the world better for having lived in it. Many of them invested their savings in stocks and bonds, the value of which has been wiped out. A great number of these people were able to perform work and make a living, but in these days of unemployment they are without a job. Many of them find that their children, upon whom they could depend for aid and assistance, are in a similar position. Society owes these citizens a reasonable subsistence, compatible with decency and health. Primarily this duty rests upon the respective States, but in this measure the Federal Government proposes grants in aid to the State to assist in paying an old-age pension. Under the provisions of title 1 the Federal Government pays up to \$15 for each individual in need over the age of 65, which amount is to be matched by the States. It provides, however, if the States are desirous and able, they can pay as much more over \$30 as desired. It provides for a uniform plan that the various States of the Union must adopt and that no State which fails to comply with the terms and provisions of this measure can participate. It will be contended by some that the amount the Government is to contribute is too small and that some of the States will not be able to raise the money to match Federal grants.

Mr. LUCAS. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. LUCAS. The gentleman is discussing section 1 of title I wherein it states that a reasonable subsistence compatible with decency and health shall be given to aged individuals. Does the gentleman understand that one must be a citizen of the United States of America before he can obtain the benefits under title I?

Mr. FULLER. No; if a State wants to, it can provide in its law even that aliens over 65 years of age can be taken care of.

Mr. LUCAS. In other words, that is a matter left to the discretion of the States.

Mr. FULLER. It is left to the State legislature; yes.

Mr. MEAD. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. MEAD. As a general rule, however, all the States require that those who receive relief benefits from the State be not only citizens of the State but in most cases citizens of the United States as well.

Mr. FULLER. That is true.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. DONDERO. Must they actually be in need before they can receive these benefits?

Mr. FULLER. Certainly; they must be in need. I cannot contemplate a subdivision of Government paying a pension to anybody in the United States who is not really in need. [Applause.] This Government owes nobody a living, but everybody owes loyalty and fidelity to this Government; and it is only as a social-welfare feature to take care of those who cannot take care of themselves that we make the contribution; it is only to take care of those who are in need of assistance.

Mr. LUCAS. Under title I, section 2, article IV, it is stated:

Provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency.

In the event that the State decided to enlarge the powers granted under this particular section and give the right of the individual who is denied assistance in the first instance an appeal to the local courts, would that, in the opinion of the distinguished member of the Ways and Means Com-

mittee, in any way contravene this section about which we are now talking?

Mr. FULLER. I think not. We made a special arrangement for that by reason of several inquiries being made. Anyone should have recourse when his claim is denied. I think that answers the question which the gentleman asked me.

Mr. Chairman, I would prefer not to be interrupted for a while unless there is some particular question that a Member is particularly interested in.

Mr. TAYLOR of South Carolina. Will the gentleman yield at this point?

Mr. FULLER. I yield to the gentleman from South Carolina.

Mr. TAYLOR of South Carolina. When a board is set up by any State to review on appeal the case of any aggrieved person, will the Board here in Washington undertake to review the findings of that board?

Mr. FULLER. They have no authority to do that. That is left solely and entirely to the States, if the States otherwise comply with the uniform plan set out here, which the States must comply with.

Mr. TAYLOR of South Carolina. That would give leeway for the several States and the Nation to set up different yardsticks or different lines of demarcation to determine the respective needs of their citizens?

Mr. FULLER. They have that right under this bill, but they must adopt a plan as set forth in this bill. The age must be 65, and there are certain residence requirements and a few other conditions. Then they have latitude for themselves. They may up to 1940 make the age limit 70 years instead of 65 years if they so desire.

It should be borne in mind the annual amount to be contributed by the Federal Government will, in a few years, be very materially increased. In my opinion, in less than 10 years it will require an annual appropriation of over \$300,000,000.

Mr. COX. Will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Georgia.

Mr. COX. Is the gentleman not unduly conservative in estimating the amount that the Federal Government will be required to contribute?

Mr. FULLER. I think not. I think it is more liberal and a larger figure than almost any other Member, especially on the Democratic side of the Ways and Means Committee, would even agree to.

Mr. COX. Does the gentleman accept the records of the States now paying an old-age pension as a basis for that calculation?

Mr. FULLER. Yes; and in doing so this figure would be 5 or 10 times greater.

Mr. COX. Does not the gentleman think he incurs the risk of error in proceeding upon that basis, having in mind, of course, that, with the Federal Government entering the field and obligating itself to pay, the demands will increase and the tendency of the States will be to liberalize their laws and the administration of the laws in order that a larger Federal grant may be obtained? Does the gentleman not appreciate the fact that there is the feeling that it is justifiable to make any sort of a demand upon the Federal Government and that the urge is to get as much from this source as possible?

Mr. FULLER. May I say to the gentleman, briefly, that I think my figures are very liberal. I am convinced that they will cover the situation, and there will not be required any more than the amount I specified. Besides the States will have to match 50-50, and they will not be overanxious to exceed equal matching. Of course, there are Members here who will come to Congress in the future desirous of requiring the Federal Government to pay more.

It is not claimed that this is a perfect bill; all major legislation is the result of compromise. Last June, in a message to the Nation, the President advocated this measure, and subsequently created the Committee on Economic Security, composed of members of the Cabinet and other prominent citizens; after extensive study, covering a period of 6 months, a report was submitted recommending substantially the pro-

visions of this bill. At this session of Congress the President in a forceful message plead for the enactment of this social-security measure. It is generally known that its enactment is more desired by our great President than any pending measure.

For approximately 3 months the Ways and Means Committee has daily considered this measure. The committee has had submitted to it various other old-age-pensions plans, the most prominent of which was the Townsend plan, upon which measure hearings were had. The original Townsend plan, known as the "McGroarty bill", has for its object and purpose the granting of a pension of \$200 per month for all those over 60 years of age, conditioned all the money must be spent every month, and that on the first day of every month the Government was to place to the credit of every pensioner, in a local bank, the sum of \$200. The question of need was never considered, age being the only condition. Under this measure Rockefeller, Morgan, Mellon, Ford, and other millionaires of this Nation could, with their wives, draw \$200 each per month. A man owning the biggest department store or building in a city, with an income of \$500 or more per month, could draw the pension. The wealthiest farmer in a community, with plenty of stock, a bank account, and living in ease and comfort, would be a recipient, as well as his wife, of \$200 per month. No restrictions were made as to how the money should be spent, and Dr. Townsend, who appeared before our committee, stated he was not interested in how they spent the money nor as to whether or not they spent it for liquor, in roadhouses for gambling or immoral purposes.

Children and other relatives could move in and live with their parents and relatives on the pension rolls. All that was required was the 60 years' age limit and the condition that the pensioner should discontinue and refrain from all gainful pursuits. The measure provided that this pension should be paid by levying a tax of 2 percent upon all transactions. Such a measure would kill ambition, stifle and retard thrift, and mean the early doom of our Nation. It is inconceivable that a nation would be required to collect money by taxes to pay a man and wife \$400 per month who in their previous years had never made over \$50 or \$100 per month from their combined labors and at the same time had lived in ease, comfort, and happiness. The tax sought to be levied would not start to pay one-fourth of the \$200 pension. Dr. Doane, an economist, presented as a witness by Dr. Townsend, testified that the national income for this Nation for 1929, the most prosperous year of our history, was \$81,000,000,000 and for the year 1933 approximately \$45,000,000,000, yet in 1933 there was no profit in the national income. The 2-percent sales tax would produce approximately \$1,000,000,000 per year; but he states if the tax were placed upon every conceivable transaction there was a possibility of a maximum collection of \$4,000,000,000 per year. Even this collection of taxes, which was more than the Federal Government collected last year for all purposes, would not be a sufficient amount to pay over \$33 per month. There are today 10,000,000 people in the United States over 60 years of age, which would mean a payment of a pension of \$33 per month per person. His expert admitted that the Federal Government could not stand the financial strain and burden sought under the Townsend plan.

A Mr. Glen J. Hudson, of California, actuary for Dr. Townsend, testified if he were a member of the Ways and Means Committee he would not vote approval of the plan.

Mr. DOUGHTON. Will the gentleman yield?

Mr. FULLER. I yield to my distinguished chairman, the gentleman from North Carolina.

Mr. DOUGHTON. The gentleman recalls that Dr. Townsend appeared, I believe, more than once before our committee and urged very strongly the adoption by the committee of his original bill. He assured the committee that it was sound, feasible, and workable, and had been worked out by experts and specialists. In view of that testimony of Dr. Townsend and the statement just made by the gentleman addressing the committee, in his opinion is a man who would present a scheme so revolutionary, so impossible, and so dangerous as this, if he does change his mind and pre-

sents a revised scheme, capable of advising the Congress of the United States with respect to a great matter like this?

Mr. FULLER. I would hesitate to say. Dr. Townsend apparently is a fine old gentleman, but I doubt his judgment. I know it is not good statesmanship and that nobody except those who are in distress and who want to get something for nothing are going to seriously consider the Townsend plan.

Mr. DISNEY. Will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Oklahoma.

Mr. DISNEY. The gentleman referred to the national gross income as being \$45,000,000,000. As I remember the figures before the Ways and Means Committee, there were about ten and one-half million people over 60 years of age in the United States. At that rate it would take about \$24,000,000,000 a year to pay the Townsend old-age pension. Is the gentleman going to discuss those figures?

Mr. FULLER. Yes; I have those figures here. Then, too, the Federal revenue for 1933 was less than four billion and the combined State and Federal revenues for 1933 was less than eight and one-half billions.

Mr. DISNEY. Is the gentleman referring to the total national revenue and total State revenue?

Mr. FULLER. Yes. It would cost \$24,000,000,000 annually to pay the pension under the Townsend plan, more than half our national income for 1934. It would mean that our financial structure would be bankrupt, and on account of the tax upon transactions being multiplied and pyramided, which would be passed on to the consumer, the price of the necessities of life would be unbearable.

Realizing the unreasonableness of such a plan, Congressman McGROARTY has introduced another Townsend plan measure which bears number H. R. 7154, under date of April 1. This measure is substantially the same as the original bill with the exception that no one can draw a pension who has a net income in excess of \$2,400 per year. The measure provides that the pensioner shall receive, monthly, so much as the tax will raise, not to exceed \$200 per month. The question of need is not mentioned in this bill. It is now contended by its supporters that this measure will pay \$50 per month for those over 60 years of age. Yet the club members and those who are sending propaganda to Members of Congress are still under the impression that the Townsend plan still provides \$200 a month pension.

To me it is ridiculous to even contemplate paying pensions to parties who have an income of as much as \$600 per year, yet in this bill the \$200 a month theory is carried out and one would be permitted to draw a pension up to \$200 per month if the tax collections were sufficient. One could own a valuable home and have children able and willing to care for him and be eligible for a Townsend pension. I have no criticism for Dr. Townsend; at heart I feel he is desirous of aiding the aged poor.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Tennessee.

Mr. COOPER of Tennessee. A man might be worth a million dollars and have no income, yet be eligible for a pension under the Townsend plan?

Mr. FULLER. Yes.

Mr. COOPER of Tennessee. In connection with the original Townsend plan or the original McGroarty bill, may I ask the gentleman if it is not true that the gentleman from California [Mr. McGroarty], the author of the bill, never did appear before the committee in support of the bill while it was under consideration there?

Mr. FULLER. I know he did not appear, although he had every opportunity to appear and we would have been pleased to have heard him.

Mr. COOPER of Tennessee. And the committee set apart a certain day for all Members of the House to appear before the committee who wanted to appear?

Mr. FULLER. Yes; and Dr. Townsend, who also appeared at his own request, asked us please not to cross-examine him and he was not cross-examined on his bill when he was a witness before the committee.

Mr. COOPER of Tennessee. But the gentleman from California, the author of the bill, never did appear before the committee in support of his own bill.

Mr. FULLER. No; he never did. A great percentage of his followers are in distress, many of them upon the relief rolls, being maintained at Government expense, and I am sure they have been misled as to the feasibility of such a plan. However, they have at least done a good work in creating a general public sentiment for an old-age pension.

Mr. COX. Mr. Chairman, if the gentleman will permit, the gentleman made the observation awhile ago that the national income was between \$45,000,000,000 and forty-nine or fifty billion dollars, not a penny of which was profit, and yet the Townsend plan would take \$24,000,000,000 of that income, which would tend to exhaust capital investment.

Mr. FULLER. There is no question about that. When the truth is known and the imported organizers are gone there will be headaches and grief.

The Townsend old-age-pension plan, through its organizers, is doing an injustice to those in distress; they are holding out false hopes with a realization that the plan is not feasible and could not possibly be carried out. No such propaganda has ever equalled that being sent to Members of Congress for this plan. Amongst 200 postal cards which I received this morning there appeared the name of a college graduate, who holds an important position with a good salary as manager of a subsoil erosion project in my district. The card read as follows:

We are not in favor of the President's plan for social security. We want the Townsend old-age-pension plan, and we want it enacted into law this session of Congress.

We instruct you to work and vote for the Townsend plan. (Signed) A Voter.

This is the propaganda we are getting by the freight load every day during the pendency of this bill.

Mr. COX. If the gentleman will yield for one question, there is another plan concerning which Members of Congress have been importuned for a year or more. It is the plan that is embodied in the Rogers bill, which is the measure sponsored by a Dr. Pope. Can the gentleman inform the Committee whether either Dr. Pope or Mr. ROGERS ever appeared before his committee in explanation or in advocacy of that measure?

Mr. FULLER. No; we never heard them. They sought no hearing.

Mr. O'MALLEY. Are not the methods used by the Townsend propagandists the same as those used by the utility propagandists against the Rayburn bill?

Mr. FULLER. I do not know whether that is true or not.

Mr. O'MALLEY. It is organized propaganda, consisting of cards and form letters?

Mr. FULLER. Yes; it is along the same line.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. FULLER. Yes; but I shall have to quit yielding because my time is limited.

Mr. DISNEY. Referring to those postcards, did the gentleman receive any postcards that said that Dr. Townsend was ordained of God to bring forth this plan?

Mr. FULLER. I have not received any cards like that, but I have received that kind of letters.

Mr. DISNEY. Other Members have received cards using that language. Has the gentleman given any thought to the idea that if millions of people were drawing \$200 a month to what range would all other salaries or incomes have to go to compare with \$200 a month?

Mr. FULLER. I cannot imagine what would become of the value of our dollar or the stabilization of our Government. It is really not serious enough to consider, because I anticipate that, outside of home consumption and outside of being desirous of trying to help these poor people, there are very few people on the floor of this House who, deep in their hearts, have any idea that there is any real merit in the Townsend plan.

Mr. DISNEY. Following my previous question, the present dollar would be worthless if we had the type of system that I suggested a moment ago.

Mr. FULLER. It would; and, as I said, our Nation would be bankrupt, and I honestly believe there is no question about it.

Mr. HUDDLESTON. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. HUDDLESTON. Speaking of "plans", I have heard rumors of still another plan which, it is reported, is being formulated by the Hollywood humorist, Will Rogers. The last I heard of it he said that he was having great difficulty and was beginning to be afraid that he was not quite crazy enough to get up a plan. Does the gentleman know anything about his progress?

Mr. FULLER. No; I have not studied that plan.

In this propaganda we are threatened that if we do not vote for the Townsend plan we are not going to be returned to Congress, and yesterday I was surprised and amazed that one of our lovable characters and colleagues told us he was not attempting to come back next year, but he hoped to come back here and see the vacant seats of men who are at least trying to be statesmen and represent this Government who will be left at home because they voted like statesmen and against giving away a dole of \$200 a month to people who are not entitled to it.

Mr. COX. Is the gentleman prepared to answer the question I propounded a moment ago? Should the gentleman be returned as a Member of Congress if he votes for the Townsend plan?

Mr. FULLER. Well, I do not want to answer that.

Mr. COX. Speaking simply for himself?

Mr. FULLER. I would rather retire to the shades of a quiet and peaceful life and never be recognized for political honor than to vote for such a measure, because I believe my people who sent me here would have absolutely no respect for my judgment or statesmanship.

Mr. MARCANTONIO. Mr. Chairman, will the gentleman yield?

Mr. FULLER. For just one question; yes.

Mr. MARCANTONIO. One of the principal reasons for the gentleman's opposition to the Townsend plan is its sales-tax feature. Will the gentleman distinguish the sales tax from the pay-roll tax?

Mr. COX. May I interject that the gentleman's main objection to the Townsend plan is that, in the judgment of the gentleman from Arkansas, it is crazy?

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I want to make my own speech, but I will yield to the gentleman, and then I must continue with my own remarks.

Mr. DUNN of Pennsylvania. May I say to the gentleman from Arkansas that the Members of Congress have received a tremendous amount of mail from the utility officials, and I have been informed, as other Members have been informed, that they say if the Members support the Rayburn bill they will not be returned to Congress.

Mr. FULLER. There may be something in that. I do not know. I imagine that the gentleman from Pennsylvania will vote his own convictions regardless of anything else. God knows that I am sincere and anxious to vote for any reasonable old-age pension to take care of anybody to the amount that the Government can afford to pay. I am willing to increase the income tax and the inheritance tax, and I am willing to curtail the salaries of those in public office.

We are threatened in much of this propaganda if we do not vote for this plan we will be defeated in the next election. God knows I am sincere and anxious to vote for a reasonable old-age pension to take care of the needy, in such an amount as the Government can afford to pay. I am willing to increase inheritance and income taxes for this purpose.

Under the original plan submitted by the President's Committee on Economic Security, the personnel in the States was controlled by the Federal Government, and the provisions of this bill were to be administered by the Secretary of Labor and the Federal Emergency Relief Administrator. The bill has been materially changed, granting to the States the right

to administer the various provisions and establishes a social-security board to generally administer the act.

Title II and its companion title, no. VIII, provide for Federal old-age benefits and levies a tax upon the pay rolls, to be paid equally by employer and employee on salaries or wages up to \$3,000 per year. This tax gradually increases, and at the end of 12 years the employer and employee will each be required to pay 3 percent on the pay roll. This money is paid into the Federal Treasury in an old-age reserve fund, and it is contemplated that in 45 years the reserve will amount to approximately \$50,000,000,000. The Secretary of the Treasury is made a trustee for the investing of these funds in Government interest-bearing securities. It is contemplated as this money is so invested it will wipe out tax-exempt Government bonds and that eventually all of the public debt will be included in this trust fund. The real object and purpose of this title is to buy old-age annuities to be paid monthly after the laborer has reached the age of 65. It contemplates that the money so paid, together with the interest accumulated, will afford sufficient monthly annuity to keep the laborer off the old-age pension rolls in the distant future. In the event of death one's estate recovers the money paid in by the laborer, plus accumulated interest.

Titles III and IX provide for unemployment compensation to be administered by the State. It provides for a 3-percent tax to be paid by the employer upon annual pay rolls. If a State does not participate, it receives no benefit from this tax. In the event a State does participate in the plan, then the employer receives a credit for 90 percent of the tax which he has paid to the State for this purpose. I have opposed the provisions placing a tax upon pay rolls for unemployment insurance and old-age benefit annuities. All business needs relief, the restoration of confidence, and less Federal regulation. I fear the burden is too great at this time for business to carry this additional load. [Applause.]

The other provisions of the bill provide and deal solely and entirely with social-welfare problems in conjunction with the States. The first of these is aid to maternity and infant welfare, particularly in rural areas and in areas suffering from the severe economic depression. It looks after the needy and distressed expectant mother, the welfare of the infant; dependent, neglected, delinquent, and crippled children. Aid is given, and a kind and helping hand is extended to help over the rough and rugged roads of life the 300,000 dependent and neglected children, 200,000 children who annually come as delinquents before the courts, and a great number of the 70,000 illegitimate children born each year. The children of the present are the citizens and rulers of the future, and the tendency of the present minds and conditions promises fundamental changes in the very structures of our Nation. To continue to be a great nation we must look after our children and those who cannot help themselves. [Applause.]

Nearly 10 percent of all families who are on relief are without a potential breadwinner other than a mother, whose time might best be devoted to the care of her young children. It is estimated that there are over 350,000 families on relief, the head of which is a widowed, separated, or divorced mother, and whose other members are children under 16. There are approximately 400,000 physically handicapped children in this country, and in many cases the parents are not able to give them hospitalization, medical, and surgical attention. This bill carries a large appropriation to be augmented by the States for these mothers and children in need.

The bill authorizes a substantial appropriation for the vocational rehabilitation of crippled children, thus thousands upon thousands of these unfortunate crippled children will not only be cured but taught a vocation and given remunerative employment.

This measure carries the greatest welfare features and relief for suffering and distressed humanity that has ever been presented to a legislative body; it carries out the teachings of the lowly Nazarene, and has only been made possible by a fearless, big-hearted, inspired leader whose heart goes out to the "forgotten man." Every thought, every heartbeat, and every action of our great President has been in the interest of the weak and oppressed. [Applause.] No man

can be a good American citizen who seeks to live unto himself or who seeks to profit and accumulate the wealth of the country with no regard to the duty he owes to his unfortunate neighbor. We have reached the crossroads, where it has become necessary for us to realize that no nation can continue to prosper, "where wealth accumulates and men decay." [Applause.]

This cloak of charity spreads out over every social-welfare activity and in the future years we will hear the praises and the God bless you's from those who have been the recipients of this relief. I realize there are many States, because of financial condition, will not be able at this time to meet all the requirements of this measure. It is to be hoped, however, that revenue will be found in order for the State to follow the example set by the Federal Government. In my opinion it is only a question of a short time until each State will take advantage of the liberal provisions of this measure. If my State cannot enjoy all the benefits of this measure, God forbid I should begrudge a sister State.

It is easy to foresee the great good and happiness this welfare measure will bring to the aged, the helpless mother, the dependent, neglected, and crippled children. In visualizing I can see the expectant mother, weak from worry, overwork, and undernourishment, back in the rural district in a little cabin on the mountain side, where the unexpected stranger is met by the friendly bark of the farm dog and where hospitality reigns supreme, joyously explaining to her ragged and tired husband at supper time how the welfare workers have promised relief before and during childbirth.

I can see the dependent and neglected boy who never knew the love and guidance of father and mother as he grows to manhood extolling the grandeur of his country and the loyalty due the Stars and Stripes.

I see the crippled boy, sad and unable to play with his brothers and the neighbor boys as he recovers from medical and surgical treatment, and scales, round by round, the steep ladder of success.

I can see the careworn, dejected widow shout with joy upon returning from the neighbor's washtub after having received assurance of financial aid for her children. I see her with the youngest child upon her knee and the others clustered by her, kissing the tears of joy from her pale cheek as she explains they can now obtain clothes and books, go to Sunday school, and attend the public school; and as they prepare to retire I can hear her offering thanks to Him from whom all blessings flow.

I see the old gray-headed father and mother, bowed by the weight of many years of honest toil, dance with joy and appreciation upon receipt of their first pension check which saves them from the poorhouse.

Certainly, a nation which sends its messengers to the rural and most isolated parts to render aid to those in distress and embarks upon such a welfare work, cannot help but live and prosper. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield one-half minute to the gentleman from California [Mr. DOCKWEILER].

Mr. DOCKWEILER. Mr. Chairman, I rise to make a very important announcement. Within the hour the *American Clipper*, owned and operated by the Pan-American Airways, landed at the Hawaiian Islands. [Applause.] In approximately 17 hours and 37 minutes she spanned the air from Alameda, across the bay from San Francisco, to land in the harbor of Honolulu at 1:27 p. m., eastern standard time. The day of wonders has not ceased. America should be proud that the indomitable pioneering spirit still exists. I compare this feat of the modern clipper ship with the feats of the early days when the Americans sailed the Seven Seas in their clipper ships. It is comparable, my friends, with the discovery of America by Christopher Columbus. [Applause.]

Mr. BACHARACH. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. LUNDEEN].

Mr. LUNDEEN. Mr. Chairman, it is difficult for me to understand the frame of mind of Members who sit in this House and vote for huge sums of money for adventures into foreign lands. On Armistice Day, November 11, 1928, President Coolidge said that when the last veteran and last dependent of a veteran of the World War has disappeared over

the horizon, we will have expended on the World War more than \$100,000,000,000. There was no quibbling about that—"saving the world for democracy"; but when anyone comes in here to speak for the workers of America—and that includes men who work at the desk as well as men who walk behind the plow or work at a lathe in a shop—then we begin to talk about whether we can afford it or not, and where we are going to get the money.

REHABILITATION

It is not just the past war, but it is the rehabilitation that came after the war. I opposed the loan of \$10,000,000,000 to the kings of Europe on this floor. I sat in a seat here with some gentlemen who are here today, when lords and dukes and earls and counts, bespangled and bemedaled—Lord Balfour and the Japanese and all the rest. I remember when Members rose in their seats to do them honor and shook their hands and applauded them. I refused to rise to honor foreign royalty on this floor; they came here to talk us out of our money and for no other purpose. To honor them was supposed to be good Americanism, but when anybody talks for unemployment insurance for the 15,000,000 Americans now unemployed and the aged, they are denounced as radicals. Call us radicals if you will; we will keep on fighting for the aged and unemployed. We will not give up the ship. We will fight on.

The administration bill, if I am correctly informed, does not pay a red cent to a single man unemployed at the present time, and if I am mistaken I want to be corrected, and I hear no correction. Not a nickel for those who are now unemployed. How are we Congressmen going back home to face our constituents, and what will we say to them when this bill is passed and signed and becomes a part of the statute books, when these 15,000,000 unemployed ask, "Where do we come in?" and we must reply, "You don't come in. You 15,000,000 unemployed, you are left out in the cold."

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. LUNDEEN. Yes.

Mr. COOPER of Tennessee. The gentleman of course understands that this bill is not intended to take care of those now unemployed. That is what we passed the \$4,880,000,000 bill for. This bill seeks to set up a system in this country to take care of unemployment in the future, and I think the gentleman will agree with me in the statement contained in the report accompanying this bill if unemployment insurance had been enacted into law in this country about 1922, by the time the depression hit us in 1929 we would have had about two and a half billion dollars on hand then for unemployment insurance, and that certainly would have greatly assisted in sustaining the purchasing power and improving business conditions and the general welfare of the country, as well as caring for those entitled to consideration.

Mr. LUNDEEN. I wish to say to the gentleman that when we, back in 1922 and many years before that, advocated just that—we were denominated radicals, and we were told we should not do that sort of thing.

Mr. COOPER of Tennessee. The gentleman knows that neither his party nor my party were in control during that time.

Mr. LUNDEEN. Possibly so. History would read different today had a great national labor party been in power in 1922.

Mr. MARCANTONIO. Will the gentleman yield?

Mr. LUNDEEN. I yield.

Mr. MARCANTONIO. What is going to happen to these unemployed after the \$4,000,000,000 has been spent at an average wage of \$50 a month, which will do nobody any good?

Mr. LUNDEEN. I thank the gentleman for his statement. I wish to say that while I voted for the \$3,000,000,000 in the last Congress and the \$4,880,000,000 in this Congress, because of the relief measures contained therein, I wish to remind the Members on this floor that the reemployment under the \$3,000,000,000 was very disappointing. I see gentlemen nodding their heads. They know it was disappointing. I hope I am wrong, but I am afraid that employment under the \$5,000,000,000 bill is going to be dis-

appointing and that it will have no appreciable effect upon the 15,000,000 now unemployed.

PLENTY OF MONEY FOR THE NEXT WAR

With reference to this frame of mind which seems to exist among distinguished gentlemen here who frame legislation for this country, permit me to say we have plenty of money for the next war. I ask, where is it going to be fought? I suppose in Europe, Asia, and Africa. We appropriate a billion dollars for that; but if someone comes here and presents a bill, such as I have, providing for \$10 minimum for the unemployed and \$3 for each dependent, they are greatly horrified, but they have a billion dollars for the next war.

A BILLION DOLLARS FOR THE NEXT WAR

I say I would not spill one drop of the blood of an American soldier comrade of mine for any wealth invested by international bankers across the ocean in Europe, Asia, or Africa. Let those millionaires and billionaires who invest their money abroad go and protect their own money. [Applause.]

Mr. DUNN of Pennsylvania. Will the gentleman yield?
Mr. LUNDEEN. I yield.

Mr. DUNN of Pennsylvania. Will the gentleman please tell me where we are going to get that money for the next war?

Mr. LUNDEEN. The gentleman asks where we are going to get the money for the next war.

Mr. DUNN of Pennsylvania. The gentleman asked the question and I would also like to know that. We do not seem to have enough money to take care of the aged and unemployed. I would like to know where we are going to get the money for the next war.

Mr. LUNDEEN. I will say that we always find sources of revenue when it comes to protect international bankers and wealth invested beyond the seas. That is not good Americanism. That is good Europeanism, and I want none of it. I do not believe in that kind of Americanism. I believe in the Americanism that takes care of the workers of America and the people in the United States, the development of projects and resources within the boundaries of this country. That is good enough for me. [Applause.]

Mr. MARCANTONIO. Will the gentleman yield further?
Mr. LUNDEEN. I yield.

Mr. MARCANTONIO. As far as getting money for the next war is concerned, until a State adopts a plan of unemployment insurance, every penny which is collected by the pay-roll tax in that State goes into the general Treasury of the United States, and such funds so collected may even be used to build battleships, and yet this is called an unemployment-insurance bill.

Mr. LUNDEEN. I thank the gentleman again for his statement. In the last \$3,000,000,000 bill the administration reached in and took \$238,000,000, if I am correctly informed, and laid it down in battleships, to fight whom? What nation is there to invade this great, powerful country? Who is going to invade us? It is a war against someone else on other continents. I am going to speak for a moment before it is too late. I protested once before on April 6, 1917, and I want to protest again today, before it is too late. Some day you will find it is too late.

Mr. CONNERY. Will the gentleman yield?
Mr. LUNDEEN. I yield.

Mr. CONNERY. During the last 4 or 5 years we have had testimony on old-age pensions, unemployment insurance, the 30-hour week, labor-disputes bill, and so on. In all those hearings we held it became very clear to our committee, did it not, that there could be no prosperity in the Nation without the farmer being prosperous and the industrial worker being prosperous at the same time? We found that out, did we not?

Mr. LUNDEEN. That is true. The able and distinguished Chairman of the Labor Committee is always right.

Mr. CONNERY. And the Lundeen bill, which I am offering tomorrow as an amendment to this other bill, is the only

bill which takes care of the farmer and the industrial worker in the United States, is it not?

Mr. LUNDEEN. That is true. We take care of them, and we do it now—not in the dim, distant future.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. LUNDEEN. The moment that we provide \$10 a week and \$3 per dependent, that is something to horrify some gentlemen on this floor. I do not say all of you, but some folks here seem to be very much disturbed about these figures. In Saturday's RECORD I presented for the attention of the Members of this House the sources of revenue and the cost of this bill and based upon 10,000,000 unemployed the net cost is \$4,060,000,000, as given by Prof. Joseph M. Gilman, economist of the College of the City of New York; and based upon 14,021,000 unemployed, the net cost is \$5,800,000,000. That is not a large sum compared with the huge sums we are putting into armaments and into foreign adventures. I say it is time to turn back to Washington and Jefferson and Jackson and Lincoln and take care of these people in these United States who built this country and made America what it is today. [Applause.]

Mr. SAMUEL B. HILL. Will the gentleman yield?

Mr. LUNDEEN. Yes; I yield.

Mr. SAMUEL B. HILL. Will the gentleman give us the figures upon which that estimated amount was based, or put them in the RECORD?

Mr. LUNDEEN. I will say to the able gentleman from Washington that those figures are already in the RECORD as of Saturday, April 13. [Applause.]

CONSTITUTIONALITY

Concerning the constitutionality of the Wagner-Lewis-Doughton social-insurance proposals—H. R. 4120 and H. R. 7260—I am surprised that able lawyers on this floor have not taken up that question more in detail.

One of my colleagues here stated to me the other day that someone maintained to him that H. R. 7260 is "absolutely probably constitutional", and that well illustrates the state of mind of Members on the constitutionality of the pay-roll tax and other features of the administration bill dealing with taxation, rights of States, and the rights of individuals and employers.

For that reason I have requested permission to insert a statement on the constitutionality of H. R. 2827 and the administration bill as given to the House Committee on Labor, and found on pages 245 to 270 of the Labor Committee hearings, February 4 to 15, 1935, Seventy-fourth Congress, first session, on unemployment, old-age, and social insurance. This statement is made by Leo J. Linder, able counsel of the New York Bar.

STATEMENT OF LEO J. LINDER

Mr. LINDER. Mr. Chairman and gentlemen of the committee, I am here to speak to you on the constitutionality of the Lundeen bill. Since I come here before you as an expert, I presume I should, within the limitations of modesty, state my qualifications very briefly.

Mr. DUNN. Yes; we want them.

Mr. LINDER. I shall state briefly that I am a member of the bar of the State of New York, a member of the bar of the United States Supreme Court, that I have practiced, tried cases, and argued appeals before the appellate courts of very many States besides the State of New York, and that I have briefed and argued questions of constitutional law before the highest court of our land, the United States Supreme Court. About 2 months ago the International Juridical Association, an association of lawyers of which I am a member, requested me to make a study of the constitutionality of the constitutional questions involved in the Lundeen bill, H. R. 7598.

Mr. DUNN. That is the old bill.

Mr. LINDER. Yes. The request was also made that if I came to the conclusion that the bill was constitutional, I should then draw a brief establishing the constitutionality of the bill. I made a very careful study of the decisions, the texts, and all of the other authorities to which lawyers resort in determining constitutional questions. At the termination of my study I became thoroughly and completely convinced that the bill was unquestionably constitutional.

Of course, my research with respect to H. R. 7598 is equally and perhaps more applicable to H. R. 2827, because H. R. 2827 is with-

out question an improvement on the other bill, because it simplifies many of the constitutional questions there involved.

The statement that I am going to read you very briefly states the affirmative argument supporting the constitutionality of the bill, and then, after stating that affirmative argument, deals with various objections that might possibly be raised to the constitutionality of the bill, such as the question as to whether the bill involves an unconstitutional delegation of legislative power, the question as to whether it is unconstitutional by reason of the indefiniteness of the appropriation contained in it, the question as to whether the bill involves any violation of due process, and, finally, the question as to whether the bill involves the violation of State rights.

The affirmative argument establishing the constitutionality of this bill is really very simple. This bill provides for the appropriation of Federal moneys out of the Treasury of the United States for the payment of compensation to the unemployed, the sick, the disabled, and the aged. It is thus simply an exercise of the appropriating power; that is, the power of Congress to spend money. The bill does, indeed, do more than provide for appropriations; it provides for the setting up of administrative machinery. But the appropriating power of Congress necessarily carries with it the incidental power to provide administrative machinery for disbursing the moneys appropriated and for insuring their proper application to the purposes sought to be achieved by Congress.

What limitations are there on the power of Congress to appropriate Federal moneys? The Federal Government is a government of enumerated powers, that is, powers enumerated by the Constitution. Some constitutional lawyers have, therefore, argued that Congress may only expend moneys for the execution of the specially enumerated powers. Upon some such argument an appropriation for social insurance would be unconstitutional, since the Constitution does not enumerate any power to provide social insurance for the people of the United States. The argument is, however, wholly unsound, for it ignores the fact that one of the enumerated powers set forth in the Constitution is the power to "lay and collect taxes, pay debts, and provide for the common defense and the general welfare of the United States."¹ To limit this power to spend moneys for the general welfare, to the power to spend moneys for the execution of the other specially enumerated powers, is to rob the general welfare clause of its meaning and thus to violate an elementary principle of constitutional construction.² Such distinguished constitutional authorities as Washington,³ Madison,⁴ Monroe,⁵ Hamilton,⁶ Calhoun,⁷ and Justice Story,⁸ have definitely repudiated the conception of an appropriating power limited by the other powers. Our highest authority, the United States Supreme Court, has in the famous Sugar Bounty case "⁹—I will not here take the time to read the citations, all of which are set forth in the footnotes to the brief—definitely upheld appropriations by the Government in payment of purely moral obligations, entirely beyond the scope of the other specifically enumerated powers and has, indeed, held that an appropriation even out of "considerations of pure charity"¹⁰—the words "considerations of pure charity"—are a quotation from a United States Supreme Court opinion—cannot be reviewed by the judicial branch of the Government. Congress itself has uniformly and consistently exercised its appropriating power for any purpose which it deems for the general welfare and irrespective of whether the purpose comes within the specifically enumerated powers or not.

Consider the appropriations which Congress has made. Congress has spent millions—I should say billions—for the purchase of Louisiana from France, of Alaska from Russia, of Florida from Spain; Congress has made outright gifts of millions of dollars to the individual States;¹¹ it has appropriated billions of dollars for agriculture;¹² and for internal improvements;¹³ it has appro-

¹ The Constitution of the United States, art. I, sec. 8, cls. 1 and 18; Willoughby on the Constitution of the United States, ch. 3, sec. 62, p. 105.

² Constitution, art. I, sec. 8, ch. 1.

³ Chief Justice Taney in *Holmes v. Jennison*, 14 Pet. 538, 570, 571; Story Commentaries on the Constitution, 5th ed., secs. 812, 913.

⁴ Story on the Constitution, 5th ed., note to sec. 978.

⁵ The Federalist, p. 41; Richardson, Messages and Papers of the President, vol. 2, 485, 568.

⁶ Annals of Congress, 17th Cong., 1st sess., vol. 2, p. 1839; Richardson, op. cit., vol. 2, p. 165.

⁷ Hamilton's Works, Lodge's edition, vols. 3, 294, 371, 372.

⁸ Elliot's Debates, 2d ed., vol. 2, 431, note.

⁹ Story on the Constitution, vol. 1, secs. 922 to 924; see also Pomeroy Introduction to Constitutional Law, secs. 274, 275; Hare, American Constitutional Law, p. 155; Willoughby on the Constitution of the United States, sec. 269; Burdick on the American Constitution, sec. 77.

¹⁰ *United States v. Realty Co.*, 164 U. S. 427.

¹¹ *United States v. Realty Co.*, supra, p. 441, 4.

¹² In 1837 Congress, finding that there was a surplus, appropriated \$20,000,000 to be paid to the individual States in proportion to their population; Congress made a second appropriation of this nature in 1841.

¹³ Orfield Federal Land Grants to the States, pp. 37, 41, 48, and 67; the acts establishing the Bureau of Animal Husbandry, Weather Bureau, Bureau of Plant Industry, Forest Service, Bureau of Biological Survey, Bureau of Crop Estimates, etc., etc.

¹⁴ The Geological Survey, Bureau of Mines, Department of Education, road building.

riated the moneys of the Nation to aid destitute foreigners suffering severe calamities, as in the case of the Santa Domingoes in 1794;¹⁴ and the citizens of Venezuela, who suffered an earthquake in 1812;¹⁵ it has, in the last 2 years, appropriated billions of dollars for emergency relief to "needy and distressed people";¹⁶ it has appropriated billions for the setting up of a Reconstruction Finance Corporation;¹⁷ Home Owners' Loan Corporation;¹⁸ and the Federal Housing Corporation¹⁹—not to mention all the other characters of the "alphabet soup."

None of the enumerated powers would justify these expenditures. You can look in vain through the Constitution for any specific enumeration of any power to do any of the things which I have just enumerated. Yet surely no one would presume to say that Congress exceeded its power in making the Louisiana Purchase, or in setting up the Geological Survey, which has increased the natural resources of the Nation, or that Congress should never have contributed to the country's educational needs.

It is thus entirely clear when you consider it that, wholly without regard to the enumerated powers, Congress may use Federal moneys for any purpose whatsoever which it deems will accomplish the general welfare. Surely it could not be said that a bill which will provide a system of unemployment and social insurance for millions of unemployed, sick, disabled, and aged is less for the general welfare than any of the bills which have just been mentioned. When Congress passes this bill, it will thereby declare that, in its judgment, this bill is for the general welfare, and no court has the power to substitute its judgment on that question for that of Congress.

The fact is that the Supreme Court of the United States has itself stated that it has never in its entire existence attempted to set any limitations to the power of Congress to appropriate moneys.²⁰ On the contrary, the Supreme Court has explicitly declared that the exercise of the appropriating power is not at all a subject for judicial consideration.²¹ The Supreme Court has appreciated that if individual taxpayers were permitted to harass and obstruct the Federal Government with questions as to the propriety of national expenditures, that this would render wholly unworkable the whole machinery of the Federal Government. There is a historic case in which a taxpayer tried to stop the Secretary of the Treasury from paying out moneys for the construction of the Panama Canal.²² Certainly there you have as good an example of an expenditure and an appropriation beyond the enumerated powers of Congress as is possible to find, and solely justified by the general-welfare clause. The United States Supreme Court declared that the taxpayer could not interfere. The Court pointed out that the taxpayer could not show—and this is the technical reason—any "direct injury", since he could not point to any property belonging to him which was directly affected by the way the Federal Government spent its money. After all, the money in the United States Treasury appropriated might very well be interest on the foreign debts or the proceeds of the sale of governmental property, and no taxpayer could point to any specific tax or any specific moneys paid by him which was used for the appropriation in question.

As I read this, it comes to my mind that only recently the United States Government made a neat little profit of over \$2,000,000,000 on the devaluation of the dollar. That profit constituted part of the funds of the United States. So long as this bill contains simply a general appropriation—and that is all it does contain, because the language of the bill as I have it here is that there is appropriated out of the Treasury of the United States money sufficient to enable the consumption of and the effectuation of this bill—but where you have an act of Congress which appropriates moneys generally out of the Treasury of the United States without any reference to any earmarked moneys, no taxpayer can point to any specific moneys of which he has been deprived by virtue of any tax laid upon him. And since no taxpayer can point to any such specific moneys, he cannot technically, as the United States Supreme Court said, show any direct injury.

The United States Supreme Court, however, went much further than this technical argument with respect to the matter of direct injury. The Court declared explicitly that the question of the purpose for which Congress may use moneys is a legislative question, not a judicial one.

I would like to read you a few quotations from treatises on constitutional law, which definitely establish, with the aid of the authorities there cited, this proposition. Pomeroy, in his monumental text on constitutional law, declares:

"What expenditures will promote the common defense or the general welfare, Congress may alone decide, and its decision is final."

²⁰ Act of Feb. 12, 1794, ch. 2.

²¹ The act of May 8, 1812, ch. 79; 4 Elliot's Debates, 240.

²² Emergency Relief and Construction Act, 1932, 47 Stat. 709, July 21, 1932, c. 520.

²³ Jan. 22, 1932, c. 8, 47 Stat. 5.

²⁴ June 13, 1933, c. 64, 48 Stat. 128.

²⁵ National Housing Act, no. 479, 73d Cong., approved by President June 27, 1934.

²⁶ *Mass. v. Mellon*, 262 U. S. 447, 487-488; in *Field v. Clark*, 143 U. S. 649, *United States v. Realty Co.*, supra, and *Mass. v. Mellon*, supra, the Supreme Court refused to pass on the question of the propriety of the exercise of the appropriating powers.

²⁷ *Mass. v. Mellon*, supra.

²⁸ *Wilson v. Shaw*, 204 U. S. 24.

Hare, in his early text on American constitutional law, puts the matter as follows:

"The question of for what purpose Congress may use its powers of taxation (and thus ultimately for appropriation) is a legislative question, not a judicial question."

Therefore I think it is perfectly clear that this bill is not only constitutional as a constitutional exercise of the appropriating power, the power to spend moneys for the general welfare, but there is no legal way by which the propriety of the exercise of this power can be questioned by anybody.

That is the affirmative argument in support of the constitutionality of the bill. It seems to me to be entirely irrefutable.

Mr. DUNN. The word "welfare" there makes it constitutional, does it not?

Mr. LINDER. The words "general welfare" and the fact that Congress has the power to appropriate moneys for anything which Congress regards as for the general welfare. That is right.

Mr. DUNN. Thank you. I wanted to have that statement substantiated.

Mr. LINDER. I proceed now to the negative part of this argument; that is, the answer to objections which have been or can be raised.

The most serious objection which can be raised, it seems to me, is the question with respect to whether this bill involves an unconstitutional delegation of legislative power. While the bill does, indeed, invest the Secretary of Labor with large discretion, this does not render the bill unconstitutional. The United States Supreme Court has, again and again, sustained delegations of power to the President, Cabinet officers, and Commission. The Court has recognized that Congress might very well find it impossible to do more than to "lay down an intelligible principle to which the person or body administering the bill is directed to conform."²² The Court has appreciated the practical difficulty of fixing precise and definite standards in advance of the complex contingencies certain to arise and has recognized that Congress might "from the necessities of the case, be compelled to leave to the executive officers the duty of bringing about the result pointed out by the statute."²³ Thus, the Tariff Act of 1922 was held constitutional by the United States Supreme Court, although it vested the President with the power to raise or lower the tariff upon any imported article whenever it was found that the American products were at a competitive disadvantage with those imported from abroad.²⁴ I dare say you can search high and low in an effort to find an example of a broader power of administrative discretion than that which was here regarded as constitutional, lodged in the President. But if that is broad, consider the broad power which was held to have been constitutional, delegated to the Commissioner of Internal Revenue by the Revenue Acts of 1918 and 1921, which authorized the Commissioner to adjust the very rate of excess-profits tax. Again, in another case an act of Congress, which gave the Secretary of the Treasury, on the recommendation of experts, the power to fix and establish standards of purity, quality, and fitness for consumption of certain commodities imported into the United States, was held constitutional.²⁵

In the recent "hot oil" case²⁶, handed down by the United States Supreme Court about the beginning of January this year, the United States Supreme Court declared that the "hot oil" control clause of the N. R. A. was invalid as an unconstitutional delegation of legislative power. But, in that case, no "primary purpose" or "primary standard" whatsoever was clearly stated. The legislation there considered is wholly distinguishable from this bill, for here in the Lundeen bill a primary purpose is stated, and it is clear that the Secretary of Labor is not invested by this bill with anything more than a properly constitutional "administrative discretion." Indeed, when you consider it, the discretion invested in the Secretary of Labor under the Lundeen bill is narrow, for the beneficiaries who are to receive the compensation are named, the minimum compensation is prescribed, the maximum compensation is ascertainable, and the nature of the compensation is fixed. Certainly the discretion here vested in the Secretary of Labor is far less wide than that vested in the Secretary of Agriculture by the Agricultural Adjustment Act of 1933.²⁷ In the A. A. A. bill the Secretary of Agriculture was granted the power—and I now quote from the statute—"to provide for rental or benefit payments in connection with crop reduction in such amounts as the Secretary deems fair and reasonable."

Mr. HARTLEY. On that point, has that question been tested yet?

Mr. LINDER. No; not the A. A. A. Of course, I present the A. A. A. only because I am presenting this to a congressional body that found it thoroughly constitutional to pass the A. A. A., which provides for this extravagant area of administrative discretion, should have no difficulty in passing a bill which said that the Secretary of Labor is empowered to pay compensation, the minimum level of which is fixed, the maximum level of which is ascertainable, to persons who are definitely described in the act. Here in the A. A. A. the Secretary of Agriculture is given the power to provide for benefit payments in such amounts as he deems fair and reasonable. The Lundeen bill does not do that. It does not

²² *Hampden v. United States*, 276 U. S. 394.

²³ *Buttfield v. Stranahan*, 192 U. S. 470, 496.

²⁴ *Hampden v. United States*, supra.

²⁵ *Buttfield v. Stranahan*, supra.

²⁶ The "hot oil" decision, *Panama Refining Co. v. Ryan*, 79 L. Ed. Adv. 223, Jan. 7, 1935, Sup. Ct. Rep. —, but see Carpenter on the Constitutionality of the N. R. A., *Southern California Law Review*, Jan. 1934, p. 125; Cheadle on the Delegation of Legislative Function, 27 *Yale Law Journal*, 892.

²⁷ May 12, 1933, c. 25, 48 Stat. 31.

say the Secretary of Labor is given the power to provide for such compensation as he or she deems fair and reasonable at all, because there is a minimum stated. But the A. A. A.—I refer to that only because I am speaking to a congressional body—has this argument: The direct argument is that the area of discretion which is vested in the Secretary of Labor is narrow, and that it is narrower than the area of administrative discretion which was held constitutional in the various cases that I have cited. It would be proper argument, arguing from precedent as one would have to argue before the United States Supreme Court, that you have held the Tariff Act which allowed the President to adjust the very rate of tariff wherever he found that the domestic product was at a competitive disadvantage—you held that constitutionally there is no limitation on the discretion there, except the President must determine whether the domestic product is at a competitive disadvantage. You held it perfectly proper—if you are arguing to the United States Supreme Court—for the Congress to enact a bill by which the Commissioner of Internal Revenue is authorized to adjust the rate of excess-profits tax.

Mr. DUNN. Pardon me; you are referring to the reciprocal tax, are you not, that was passed last year?

Mr. LINDER. No, no. This is the 1922 act. I am referring to the tariff bill which came before the United States Supreme Court for consideration in Hampton against United States. In Hampton against United States, the United States Supreme Court said that it was perfectly legitimate for Congress to vest the President with such discretion. When I wrote this brief originally, I inserted in the brief this statement, that the United States Supreme Court has never in its entire history invalidated an act on the ground that it involved unconstitutional delegation of legislative power. But I had to take that sentence out of this brief because I and behold, to the everlasting astonishment of every constitutional lawyer in this country, without question, the United States Supreme Court in the "hot oil" case a month ago held that section of the N. R. A. which gives the President the power to regulate the production and the distribution of "hot oil" invalid, because that was, as the United States Supreme Court says, an unconstitutional delegation of legislative power. Mr. Joseph Cardozo wrote a brilliant dissent. He was alone in his dissent. In that dissent he pointed out that this decision was a break with the whole line of decisions in which the tariff act and the other acts were considered.

Therefore, it is necessary for us to consider whether this bill is constitutional within the recent decision of the United States Supreme Court in the "hot oil" case. I say that it is on a much different basis because in the "hot oil" decision the United States Supreme Court was considering a clause in a bill which stated that the President might interfere with and prohibit the transportation of "hot oil" products, without in anywise defining under what circumstances he should do it. The Lundeen bill does set definite criteria and standards, because it fixes a minimum, it determines how the maximum shall be ascertained, and it determines to whom the benefits and competition shall be paid. And since it does that, it cannot at all come within the criticism of the United States Supreme Court in the "hot oil" decision.

Mr. HARTLEY. May I ask another question? I do not want to interrupt your testimony here too much.

Mr. LINDER. That is quite all right.

Mr. HARTLEY. But I am very much interested in your argument. Do you not think we can strengthen this bill by further defining the powers of the Secretary of Labor in this bill?

Mr. LINDER. You could strengthen it further, but it would not strengthen the constitutionality of the bill. The bill is perfectly constitutional as it stands, because you do not need to do any more than fix the minimum, state how the maximum shall be ascertained—and when you say "average local wages", that can be ascertained; there is no difficulty about it, that is purely a matter of statistical determination. A finding can be made as to that, just as in the tariff case it was entirely possible for the President to determine whether the domestic product was at a competitive disadvantage. It is possible to determine it. The criterion is stated and the formula is given on the basis of which the administrator can determine how he should proceed. And insofar as that is done in the Lundeen bill—and it is unquestionably done in the Lundeen bill—the Lundeen bill cannot be attacked on the ground that it involved any delegation of legislative power.

Mr. HARTLEY. Then you do believe that this is as great a delegation of authority and power as was granted in the "hot oil" case?

Mr. LINDER. Not at all, because in the "hot oil" case the President's power to prohibit the transportation of "hot oil" products was not in any wise restricted. He was not told that he could restrict "hot oil" products already brought in, or under what circumstances, or what kind of findings he should make or anything else of the kind.

Mr. LUNDEEN. You might say he was given unlimited power.

Mr. LINDER. Whereas here, the Secretary of Labor is given a limited power.

Mr. LUNDEEN. A restricted power.

Mr. LINDER. Yes.

Mr. HARTLEY. Do you really think the Secretary of Labor is given limited authority in this bill? Do you not think it is rather broad authority?

Mr. LINDER. Do you think it is any broader than the power of the President in the tariff bill to adjust the rate of tariff from nothing to 100 percent, if he so please?

Mr. HARTLEY. No; I agree with you that is a delegation of authority.

Mr. LINDER. Do you think it is any greater than the delegation of power which is involved in the act in which the Commissioner of Internal Revenue is given the power to adjust the rate of excess-profits tax? He is not told whether he is to adjust it at 1 percent or 100 percent. Yet that was held perfectly legitimate. What broader example of administrative discretion could you have than the act which was held constitutional by the United States Supreme Court in which the Secretary of the Treasury was authorized to fix the standards of quality and fitness for consumption of products.

Mr. HARTLEY. May I ask this? Do you think that the decision in the "hot oil" case indicates a possible change in the trend of opinion of the Supreme Court as to the right of Congress to delegate this authority?

Mr. LINDER. I should say that the decision of the United States Supreme Court in the "hot oil" case indicates that the United States Supreme Court will not hold constitutional any act which delegates an administrative power to an administrator without defining and in some wise, in some intelligible way, limiting and restricting that power. I think that any constitutional lawyer who reads the "hot oil" decision will have to say now that if this Lundeen bill said that the Secretary of Labor was to pay compensation to the unemployed, periodically, without saying how much, without fixing a maximum or a minimum, then it would be under the "hot oil" decision and the United States Supreme Court would hold that bill unconstitutional. But I do not think that criticism can be at all urged against this bill in the present form.

Mr. HARTLEY. Do you not agree that that decision was sort of an admonition to the Congress to call a halt?

Mr. LINDER. I have said so.

Mr. HARTLEY. My questions may indicate that I am opposed to a bill of this kind. I am not. I am merely trying to get opinions which will enable this committee to write a bill that is going to stand up after the bill has been put into effect.

Mr. LINDER. I think I would like to extend my remarks on that question a little in this respect: This bill cannot be attacked as unconstitutional delegation of legislative power from a different aspect. This bill is not one under which the President is given the power to tax anything, or the Secretary of Labor to tax anything, or to forbid something from coming into the United States or to forbid something from being transported in interstate commerce.

In that respect it is wholly different than the "hot oil" case; it is wholly different from the tariff case and all the others, because this bill rests on a wholly different basis. This bill is a bill by which Congress spends money. So long as this is a bill by which Congress spends money, the power of Congress to spend money being unlimited within the sole limitation that Congress must regard it as being for the general welfare, in that sense no one can intelligently urge for a minute that this involves an unconstitutional delegation of legislative power. The power to spend money, as I stated before, carries with it the power to set up an administrative machinery for the spending of the money. That is perfectly obvious, that it must. If the Congress has the power to spend \$100,000,000, it obviously must have the power to devise the machinery by which the money is to be spent and to set up the criteria which are to govern and guide the administration of the fund. In that sense a breath of unconstitutionality cannot be attached to the Lundeen bill.

The other decisions and these other cases involve a wholly different set of situations. The "hot oil" case involves the power of the President to stop something from going across the State lines, but we are not stopping anything from going across the State lines. All that is being done here is that Congress is spending money and stating how the money is to be spent.

Mr. DUNN. Attorney Linder, I do not like to interrupt, but this is absolutely necessary. There has been a question come before the committee about this section 2, line 7. Will you read that? There are quite a number here who would like to have that explained.

Mr. LINDER. Section 2, line 7: "A system of unemployment insurance?"

Mr. DUNN. Yes.

Mr. LINDER. Section 2 provides:

"The Secretary of Labor is hereby authorized and directed to provide for the immediate establishment of a system of unemployment insurance for the purpose of providing compensation for all workers and farmers above 18 years of age, unemployed through no fault of their own."

Mr. DUNN. That is the point I want to make. Would this bill, the way it is written, apply to men who are not citizens? That is what I want to find out. That question has been asked. It came up this morning when one of the witnesses said that they would like to have that question answered.

Mr. LINDER. I should say that this bill in its present form would be applicable to any worker and any farmer in the United States, unless there is something in section 4 which would restrict that interpretation. The only thing in section 4 which might restrict it would be line 9 to the end:

"The benefits of this act shall be extended to workers, whether they be industrial, agricultural, domestic, or professional workers, and to farmers, without discrimination because of age, sex, race, color, religious, or political opinion or affiliation. No worker or farmer shall be disqualified from receiving the compensation guaranteed by this act because of past participation in strikes, or refusal to work in place of strikers."

I see nothing in this bill which would make it inapplicable to aliens who are workers and farmers. It seems to me that it would

be wholly improper to restrict the interpretation of this to citizens wholly.

Mr. DUNN. Thank you.

Mr. LINDER. That is not a constitutional question. It is a question of construction of the bill.

Mr. DUNN. Someone made the statement it would be necessary to insert another section to take care of people who are not citizens.

Mr. LINDER. I should state it as my opinion that this bill applies to workers, to anyone who is a worker or a farmer, unless there is some other statute of the Federal Government—it would have to be a Federal statute—which would make it impossible for a person not a citizen to acquire the benefits of any such act. I know of no such statute at the moment. I can say, though, I proceeded to answer the question as best I could, because I did not want to appear to refuse or to be unwilling to answer any questions, but that is not a question which comes within the confines of the constitutional questions which I have been here considering.

Mr. LUNDEEN. And you have not given that any particular study?

Mr. LINDER. I have given it no particular study. It is purely an off-hand opinion on my part.

Mr. DUNN. But your interpretation of the act now would be that they would not be discriminated against?

Mr. LINDER. I should say not. I would say that my off-hand reaction would be that I see no social reason why an alien worker should not receive the benefits under this act. I should say that if there were any doubts in the minds of any Congressmen or in the minds of the constituents of any Congressmen as to it, it might be a very good idea to bring it home to any reader of this bill that no discrimination is intended by providing in the act a provision that no worker shall be disqualified from receiving the compensation guaranteed by this act by reason of his being an alien or by reason of lack of citizenship. I should say that on that ground that it seems to me that an alien worker who by his work and by his toil and by his lifeblood has contributed to the wealth and the welfare of this country is entitled to as much protection as any citizen is.

Mr. DUNN. Attorney Linder, one of the members of the committee stated yesterday that in his district there were many people wanting to become citizens, but the judge before whom they appeared would not grant them citizenship papers because they could not read or write. It is not because the men do not want to become citizens, but some object.

Mr. LINDER. I should say that certainly whether a man can read or write, if he is a worker, if he is a human being, he needs the means whereby to live, and his children need milk just as much as children of a man or woman who can read or write. You are certainly suggesting another reason why it would be outrageous—

Mr. DUNN. I agree with you that we should not discriminate against the unfortunates.

Mr. LINDER. Yes.

Mr. SCHNEIDER. I would like to have your comment on this, Are all the powers delegated in this bill delegated to the Secretary of Labor?

Mr. LINDER. Yes.

Mr. SCHNEIDER. On page 3, line 6, where it says, "Further taxation necessary to provide funds for the purposes of this act shall be levied on inheritance, gifts, and individual and corporate incomes", and so forth, would that power be all delegated to the Secretary of Labor?

Mr. LINDER. Oh, no, no. The Secretary of Labor has no power to tax.

Mr. SCHNEIDER. Who has?

Mr. LINDER. Only Congress has.

Mr. SCHNEIDER. But we are delegating the power.

Mr. LINDER. Oh, no, no. The only proper construction of this language would be that when you say "further taxation" you mean further taxation shall be levied by whoever has the power to levy it. The Secretary of Labor has no power to levy taxes, therefore this must mean that Congress would levy the taxes. I should say the spirit of this act and its clear intention is this: Section 4 starts out by saying:

"All moneys necessary to pay compensation guaranteed by this act and the cost of establishing and maintaining the administration of this act shall be paid by the Government of the United States. All such moneys are hereby appropriated out of all funds in the Treasury of the United States not otherwise appropriated."

That means if it costs \$10,000,000 to pay the compensation under this act, if this act is passed, that \$10,000,000 is a charge on the Treasury of the United States just like the President's salary or the cost of maintaining a battleship is a charge on the Treasury of the United States. If there is not enough money in the Treasury of the United States to pay this compensation, Congress in enacting this bill says that further taxation necessary to provide such funds shall be levied in a particular way. That is, if there is not enough money in the Treasury, Congress should put more money in the Treasury by levying taxes of this kind.

Mr. LUNDEEN. That is a declaration of policy?

Mr. LINDER. That is only a declaration of policy. That is what I was going to say. This is not a tax measure. It is absurd to regard this as a tax measure. As a matter of fact, this language, "Further taxation necessary to provide funds", is stated as a declaration of intention on the part of Congress, wholly without meaning and wholly without significance, because Congress does not levy taxes by using such language. When taxes are levied they are levied with reference to the whole body of revenue acts which are in existence. If Congress were levying a tax bill, Congress

would, considering the whole body of the revenue acts, amend, repeal, or modify existing revenue legislation. It is ridiculous to think that this sentence, "Further taxation necessary to provide funds for the purposes of this act shall be levied on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over", is language by which the tax is itself levied. The tax is not levied by this. All that Congress is doing here is saying, "If there is not enough money in the Treasury, then we, the present Congress that passed this bill, think, we believe, it is our feeling in the matter, that the way that further money should be provided is by this method." That is all this means, purely a declaration of intention.

Mr. HARTLEY. If this were a tax-raising bill it would not have been referred to this committee, but to the all-important Ways and Means Committee.

Mr. LINDER. That is right.

Mr. HARTLEY. There it would rest in some cubby hole.

Mr. LESINSKY. Absolutely correct.

Mr. LINDER. It is not a taxing measure. If you will bear with me in the course of this argument on the constitutional law, I will cover the whole question of the taxing power and all the rest of it, because I mean to consider all those questions.

I think that the question as to whether this bill involves an unconstitutional delegation of legislative power is pretty much covered, and I think is irrefutably disposed of by the statement that I have made, and the statement that has been elicited by the questions that have been asked.

I want to go on now as to the question as to whether this bill is constitutional or unconstitutional because of the fact that it does not appropriate a specific amount. One might say, looking at this bill, that Congress has not in this bill stated how much is appropriated. Congress does not say that a million or a billion or ten billion is appropriated. Congress says simply, "All moneys necessary to pay compensation are appropriated", and that is all. Now, that is not a constitutional objection. No specific amount is appropriated by this bill. But this does not render the bill unconstitutional. For general indefinite appropriations are common. The first of such general indefinite appropriations was passed when the very first Congress, in 1793, directed that all expenses accruing or necessary for the maintenance of lighthouses be paid out of the Treasury of the United States.²¹ Congress did not say that they appropriated a dollar or ten thousand dollars or a million dollars. Congress simply appropriated the money that was necessary to maintain the lighthouses, that is all. Since then, hundreds of statutes containing similar indefinite appropriations have been passed.²²

In the footnote to the brief there are collated some references that, I think, will fully persuade you that when Congress passes a bill of this kind with an indefinite appropriation it is doing the sort of thing that Congress has been doing ever since 1793 and has done hundreds of times.

From the moment the bill is enacted this general appropriation becomes a charge upon the Treasury of the United States. When it is determined that any individual is entitled to a certain amount of compensation, his claim is a claim on the United States, to be honored by the Treasury just as any matured bond or other obligation of the United States must be honored. In other words, claims for compensation would arise, considering the matter from the standpoint of machinery and mechanics, much in the same way that a claim on a Home Owners' Loan bond would arise. The bond is issued. When it is issued, it becomes a claim upon the United States, to be honored out of the Treasury of the United States by the Secretary of the Treasury when the obligation or the bond becomes due. So you would conceive that the Secretary of Labor, through a proper administrative official, would determine that a particular individual was entitled to \$12.32 compensation; and if that compensation were, according to the terms of the requisition made by the administrative officer, payable immediately, it would become a charge upon the United States Treasury just the same as a bond which has become due would be a charge. Like all other matured claims on the United States, these claims for compensation, when fixed, must be provided for as a part of the Budget of the United States. In other words, the administrative officer would determine how much, if any, compensation would have to be paid; and when he determined it, that would have to be provided for, along with the battleships and the salaries and all the other items of expenditure of the Federal Government. I do not think there is any serious objection that can be raised with respect to the fact that no definite appropriation is made.

I come now to an objection which is the bugaboo of all social legislation. That is the "due process of law" objection. Unlike all other employment and social insurance plans, and also unlike the Wagner-Lewis bill, this bill does not involve the setting up of reserves created by enforced contributions by employers or employees. The only way that any person could regard himself as in any wise deprived of property for the purpose of financing this bill, would be by regarding this bill as a taxing measure.

There is no pay-roll tax here. There is no enforced contribution to reserves. The only way in which any human being, any person in the United States, could be regarded as in any wise hurt or interfered with or burdened by this act would be by the taxes that

he might have to pay if Congress thought it necessary to provide further tax or revenue-raising bills.

The bill provides that "it is the sense of Congress that if any further taxation is necessary to provide funds for the purposes of this act, it shall be levied on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over."

Even if it can be argued that this is a taxing measure, and I submit that it cannot intelligently be so argued or so regarded, the bill is a proper exercise of the taxing power of Congress. Congress has the power under the Constitution to lay taxes for the "general welfare", subject only to two limitations²³ In the case of duties, imports, and excises, "this must be uniform." This is not a duty, import, or excise, so the objection of uniformity is not available here. In the case of direct taxes, they must be apportioned according to the census. Neither limitation, however, applies to incomes, gifts, or inheritances since the sixteenth income-tax amendment.²⁴ If you regard this bill as a tax measure—and I say you cannot so regard it—it would be a perfectly proper tax measure because it would come within, first, the general welfare clause, and, second, the income-tax amendment to the Constitution.

Thus, a tax levied by Congress on incomes, inheritances, and gifts is wholly proper so long as Congress deems it to be for the "general welfare." Once Congress has levied such a tax, the tax cannot be assailed by any taxpayer, since the courts will not review the exercise of the congressional discretion involved in income taxation. The decision of Congress is thus final.

The limitation on the taxing power of the States, "that the taxation must be for a public purpose", is not a limitation applicable to the Federal Government.²⁵ But even if it were, clearly the purposes for which funds are to be raised by taxation and to be spent under this bill, is a "public purpose." The fact that private individuals benefit does not alter the fact that it is to the public interest that these private individuals receive such public benefit.²⁶ Finally, what is or is not a "public use" or purpose, has been held by the United States Supreme Court in the famous North Dakota nationalization cases to be a question concerning which the legislative authority is best able to judge.²⁷ Just as in the case of the exercise of the appropriating power, so in the case of the exercise of the taxing power, where the tax is levied on incomes, inheritances, and gifts, the taxpayer is wholly without remedy. When Congress determines that such a tax is for the "general welfare" its decision is final and cannot be constitutionally assailed.

This brings me to the last objection, that is, the objection on the ground that this bill might violate State rights.

It has been argued that this bill is unconstitutional on the ground that it involves an usurpation of the rights of the States. This argument is based upon the proposition that the power of Congress to regulate commerce and industry is limited to the "interstate commerce power" and that any regulation by the Federal Government of intrastate business and of matters "not commerce" is unconstitutional.

This argument is wholly inapplicable to the present bill. For this bill is not an exercise of the interstate commerce power; it is an exercise of the appropriating power.

This bill does not involve any regulation of intrastate commerce or of matters "not commerce." This bill does not tell any merchant or manufacturer how he is to do his business; it does not involve the setting up of reserves; it does not compel any manufacturer to pay contributions to a particular reserve fund. It does not set up such business relationships as might possibly be involved in the creation of special accounts with employers or employees, based on their contributions to a reserve fund.

In the Wagner-Lewis bill the whole concept is that employers shall contribute a pay-roll tax to a specific fund. There the machinery that is contemplated by Congress is a machinery which will involve the setting up of reserves, of accounts. It might very well be argued that Congress would be going into the insurance business, would be going into an elaborate set of business relationships, something which only the States should do. But do you not see that that has nothing to do with a bill like this, which does not involve any pay-roll tax, does not involve any reserves, does not involve any enforced contributions? This bill simply spends money.

Mr. HARTLEY. On that point, does not this bill indirectly call for the setting up of reserves for the payment of unemployment compensation?

Mr. LINDER. No; it does not call for the setting up of one dime of reserve. All this bill does, as you read the bill, is, it spends money. It spends money by way of compensation to the unemployed, just the way the United States Congress spends money when it provides for a battleship. There is no reserve set up for the battleships. There is no reserve set up for the President's salary or for the salaries of Congressmen. It is there. If it is not there, Congress has to raise the money by levying taxes. There is no reserve at all provided. That is the basic concept of this bill, that the Government has the obligation to provide social security to every human being, every worker and farmer who, through no

²¹ *Hilton v. United States*, 3 Ball. 171; *Pollock v. Farm Land & Trust Co.*, 158 U. S. 601.

²² The sixteenth amendment reads as follows: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

²³ *Billings v. United States*, 232 U. S. 261.

²⁴ *Noble Bank v. Haskell*, 219 U. S. 104; *Fallbrook Irrigation District v. Bradley*, 164 U. S. 112; *O'Neill v. Leamer*, 239 U. S. 244.

²⁵ *Greene v. Frazier*, 253 U. S. 232.

²⁶ Act of Aug. 7, 1789, c. 9, 1, Stat. 53.

²⁷ Introduction to hearings before the subcommittee of the House Committee on Appropriations on H. R. 9410, 73d Cong., 2d sess.

fault of his own, is unemployed. The basic concept of this bill is that the Government in recognition of that social obligation to every human being who cannot earn a living through no fault of his own should pay directly to that person money not because any reserve is set up, for no reserve is set up. This bill says, "Let Congress pass a tax statute. Let Congress tax inheritances and incomes and gifts, not by way of any reserve but out of the money that the Congress can create." When you consider that Congress can on occasions raise billions for specific purposes—I understand that Congress spent about \$30,000,000,000 to wage the World War for the United States—Congress can create the money, can get the money. How it gets the money is not the purpose of Congress when it passes this bill. All that Congress does when it passes this bill is, it says, "Compensation shall be paid out of the United States Treasury, and the compensation shall be a claim against the United States Treasury, and it shall be paid out of the United States Treasury." If the money is not there, Congress should raise the money by taxes.

If you consider the bill fundamentally and basically, therefore, you see that it involves vitally a wholly different social conception of the obligations of government and that which is involved in the Wagner-Lewis bill. In the Wagner-Lewis bill the money is to be created by reserves based upon insurance actuarial principles, reserves that are to be created over a period of time. A small amount of money is to be paid upon the basis of insurance principles to workers and farmers when they lose their employment. That is why the Wagner-Lewis bill does not provide for the present unemployed. The Wagner-Lewis bill deals with those who are employed now. It looks forward to the possibility of creating reserves out of pay-roll taxes; it is really gotten out of the pay rolls of the workers and farmers, who would thereby be affected, looking to the creation of those reserves. It does not contemplate the Government spending its own money. The Government is not spending its money in the Wagner-Lewis bill. It is spending the money, it is providing for reserves out of which the insurance should be paid. This bill, however, has nothing to do with the question of reserves. This bill spends money. It spends money the same way that Congress spends money when it provides for the building of a post office or—

Mr. DUNN. Or battleships?

Mr. LINDER. Or battleships.

Mr. LUNDEEN. Only this is for a better purpose.

Mr. LINDER. Yes.

Mr. HARTLEY. Then you say that this bill merely recognizes the obligation that we have to provide unemployment insurance to our unemployed today, and indirectly directs Congress, then, to pass a new tax bill to raise the revenue to pay it?

Mr. LINDER. It does not direct Congress to do it. Suppose that Congress were to pass a bill providing for the appropriation of a million dollars for the building of a post office in Kankakee, or somewhere. Congress then would not be concerned with how the million dollars should be raised. That is a job for the Secretary of the Treasury. The Secretary of the Treasury can inform the individual who is responsible for the balancing or for the preparation of the Budget, and then the individual who is the Commissioner of the Budget can say whether there is money enough or whether there is not.

Mr. HARTLEY. Then you say that this directs the Secretary of the Treasury to raise the money to pay unemployment insurance?

Mr. LINDER. It does not even do that. I mean, it does a very simple thing. It simply spends money. If the money is not there, then it is for Congress to work out ways and means for getting it there; that is all.

Mr. HARTLEY. Did you not say it was up to the Secretary of the Treasury to find money if it was not there?

Mr. LINDER. If I said that, I spoke a little loosely. I mean the Secretary of the Treasury, of course, could not fill the job of finding the money or of getting money. It is up to Congress to tax and to provide the money.

Mr. HARTLEY. Then that gets back to my first question, that we are indirectly directing Congress to get the money in the event it is not there.

Mr. LINDER. After all, it is conceivable that Congress might authorize the President to sell public lands. It is conceivable that Congress might direct the President to devalue the dollar further. It is conceivable that Congress could work out one or a hundred different ways in the light of raising money.

Mr. HARTLEY. In the light of the last few years, it is possible.

Mr. LINDER. That is right. But this is not a tax measure. I think it is important that you gentlemen should conceive it simply as an appropriating measure; just as you do not concern yourselves directly with how the money is to be provided when you pass any other appropriating measure, so you must regard this as an appropriating measure. How the money is to be provided is another question that Congress has to determine. That question I am not going into now, because it has nothing to do with the constitutional-law questions with which I have been concerned. Economists and statisticians, financial experts, and experts on the potential capacities of this country and on the earning power of the people of the country can advise you as to how Congress can get the money. I am not here for the purpose of telling you how Congress can get the money. I am here only for the purpose of persuading you, as I think I can—I hope I can—that this bill is constitutional as an appropriating measure.

Mr. HARTLEY. Then, as I understand you to say, Congress has the right to direct the people of the State of New Jersey and every other State in the Union to pay taxes to provide unemployment

insurance in the event there are not funds in the Federal Treasury?

Mr. LINDER. No; I did not say that. I said Congress had the power to spend the Federal moneys—

Mr. HARTLEY. Yes.

Mr. LINDER (continuing). For any purpose that Congress deems to be for the general welfare. If Congress says that it is for the general welfare of the people of the United States that every unemployed person should receive compensation, Congress has the power to provide for the payment of compensation to those persons. How the money is to be raised is a revenue question, it is a question of the Budget. Money can be raised by the sale of land. It can be raised by the—

Mr. LUNDEEN. Sale of bonds.

Mr. LINDER. Yes; the sale of bonds. It can be raised by various fiscal and other measures.

Mr. LUNDEEN. They are always oversubscribed about seven times.

Mr. LINDER. Congress can provide for the issuance of a new Liberty bond, of course. Congress can provide for the money. But that is really not germane to the question we are now concerned with. The question that we are concerned with here is this: Has Congress the power as a matter of constitutional law to provide for the payment of compensation to the unemployed? The answer is "yes", because Congress has the power to spend money for any purpose Congress pleases, so long as Congress deems it to be for the general welfare.

Mr. SCHNEIDER. Getting back to that question I asked you some time ago, this bill quite specifically directs the Government to raise the additional money necessary by certain methods, inheritance taxes, income taxes, and so forth; not the selling of bonds, and so forth.

Mr. LINDER. It does not direct, though. As Congressman LUNDEEN pointed out, it is simply declaring the intention of Congress. It is simply saying that Congress thinks that the best way of raising money would be by income taxation, inheritance, and gift taxation. This is not the act in which it is doing that.

Mr. SCHNEIDER. Yes; I understand that part of it. However, if this has any meaning in its enactment, it means that the Congress is establishing the policy that the raising of additional money for the purpose of meeting this expenditure will be done by these means.

Mr. LINDER. It is a suggestion.

Mr. SCHNEIDER. Taxation of incomes, inheritances, and so forth, and so on.

Mr. LINDER. There is no question in your mind, is there, sir, that Congress has the power to pass such taxation legislation?

Mr. SCHNEIDER. Oh, no; they have that, of course.

Mr. LINDER. Very well. If they now tax an income to the extent of so much percent, they can jack up the percentage, if Congress so please.

Mr. SCHNEIDER. Yes. Are you familiar with the A. A. A. system of taxation—the processing tax?

Mr. LINDER. Yes. But, you see, there you have a wholly different concept, because there you have something which is a little akin to the reserve-fund theory. The Secretary of Agriculture is given the power, as I stated before, to pay benefits to farmers in such amounts as he deems advisable and reasonable.

The Agricultural Adjustment Act also provides that the Secretary of Agriculture has the power to lay a processing tax on the products of agriculture, which come within the sphere of the Secretary of Agriculture's administration under this act. Then the act also goes on to say that the Secretary of the Treasury shall advance money to the Secretary of Agriculture as a sort of an advance to him for the purpose of paying these benefits to the farmers. And then the Secretary of Agriculture is to lay the processing taxes and it is the intention, stated in the act, that the processing taxes are to make up or to create a fund which is sufficient to reimburse the Secretary of the Treasury for the moneys he has advanced to the Secretary of Agriculture for these benefits. In other words, what Congress was there, in the A. A. A. doing, was to pay money to farmers and to provide the money which was being paid to farmers by processing taxes. That in a way is similar to the Wagner-Lewis bill and the conventional unemployment-insurance bills, where you create pay-roll taxes for the purposes of enabling you to pay compensation. A reserve is created. But, you see, the A. A. A. involves some very serious questions of constitutional law, because it does just that. In the case of the Lundeen bill, no taxpayer whose income tax was jacked up 25 percent or so could come into court and say, "I object to this bill. I think this bill interferes with my constitutional rights. I ask that the Secretary of the Treasury be enjoined from paying out the money by way of compensation under this bill, and the Commissioner of Internal Revenue be enjoined from collecting the taxes." He cannot do it, because he cannot point to any specific dollar which he paid which went for this bill. It is just impossible, because the \$1,500, let us say, that this man paid might have gone for the battleship. It is impossible.

In the A. A. A. when the processing tax is levied and he pays the processing tax, he can point to specific money. He says, "The Government has levied a processing tax upon me which was used to pay benefits to farmers. I think that scheme is wrong. I think that is an improper method of use of money. I think it is improper to tax me for such a purpose."

But he cannot do that under the Lundeen bill.

There is another aspect, also, in which this bill is strikingly different from the other unemployment-insurance bills and from the other social legislation which involves due-process questions.

This bill does not interfere with the conduct of any intrastate business. A farmer who is raising a cash crop, for instance, or who is raising a crop without limitation as to the nature of the crop, and who is taxed by this processing tax, can come into court, and they have come into court, and said, "We object to this processing tax because that is an interference with our business." As a matter of fact, if the sad truth must be broadcast, the A. A. has been held unconstitutional on a number of occasions in the last few months, insofar as it provided for the regulation of intrastate businesses. But the beauty of the Lundeen bill is that you cannot touch it on that point, because the Lundeen bill is not interfering with any business. Nobody can come and say, "I am being interfered with, I am not being allowed to run my business in the way I want to, I am being taxed", because he cannot point to anything—this is not a bill which interferes with business; it just spends money—just as he cannot come in and object to the money that they are using for a post office somewhere, because he cannot say that his money went for that post office; and so he cannot do anything with this, either.

After all, take the taxpayer who so many years back was outraged because Congress was spending money for the building of the Panama Canal. He brought a proceeding, and the United States Supreme Court said, "We are sorry, my dear sir, you just cannot do anything about it, because Congress is just spending money, and Congress can spend money for anything it pleases so long as Congress does this for the general welfare." This is the same situation.

This bill does not prohibit the transportation of any product by interstate commerce. In the Child Labor case the United States Supreme Court said that it was unconstitutional for the Federal Government to forbid the transportation in industry of the products of child labor, because the business in which this child labor was employed was an intrastate business subject only to the management and to the governance of the State; and it was a violation of the rights of the State to prohibit the transportation industry of the products of that child labor.

That argument simply has nothing to do with our present situation, because we are not interfering with the transportation of anything in interstate commerce. We are simply spending money.

A very important decision which has had a tremendous importance in constitutional law affecting social legislation is the employers' liability cases, in which the United States Supreme Court held that it was improper for Congress to regulate the liability of employers to their employees in intrastate business. That may be one of the many Achilles' heels of the Wagner-Lewis bill. These pay-roll taxes may very well be regarded as a regulation of intrastate business. But that does not apply here, because I have said now for the fifteenth or twentieth or one hundredth time you are just spending money here.

The bill simply sets up an obligation of the United States Government to pay out of the United States Treasury compensation. There is a case in the records, in the reports of the decisions of the United States Supreme Court, where a State came in and objected to the spending of money by Congress, for a particular purpose, because the State said that was an interference with the proper province of the States. It is the very famous maternity bill. I think it was the Smith-Townsend bill. It is referred to in the footnotes of this brief. Congress there passed a bill appropriating so much money for the creation of a board of maternal and infant health hygiene, and it provided that so much money should be given to the States provided they set up in each State a hygiene board subject to the rules of and pursuant to the provisions and the general plan outlined in the statutes. The State of Massachusetts, in a case which is known as "*Massachusetts v. Mellon*",⁴⁴ a very famous case, came in and objected. They said, "When Congress provides for the appropriation of moneys to the particular States, provided they subject themselves to a Federal plan, Congress is interfering with the proper province of the States."

The United States Supreme Court said, "Oh, no; Congress is simply spending money, and in the exercise of appropriating money the power and authority of Congress to spend money cannot be questioned."

I am going to embark upon a line of reasoning here that has certain limitations and certain perils, which I am going to point out, but I would like to present the argument to you because while this argument would not be an argument which I would present to the United States Supreme Court, it is an argument which I have a perfect right to present to a Congressman because it is an argument based upon the sort of bills that Congress has just been passing; although I am not saying that those bills are constitutional.

Even if, however, the exercise of the appropriating power should, by any stretch of the imagination, be regarded as a regulation of matters "not commerce" and of intrastate commerce—I think I have demonstrated that it cannot so be regarded—it does not follow that the plan is beyond the powers of Congress. For it is the present doctrine of the United States Supreme Court that Congress has the power to regulate intrastate commerce and matters that are "not commerce" at all, provided that the burdensome character of these activities on interstate commerce is clear and direct.⁴⁵ Thus the United States Supreme Court has held the

Packers and Stockyards Act of 1921 constitutional, although that act gave the Secretary of Agriculture supervision over the commission men and livestock dealers in the stockyards of the Nation and thus enabled the Secretary of Agriculture to regulate prices and practices in matters wholly intrastate.⁴⁶

The Court appreciated that the object of the act was to "free and unburden"—this is the language of the Supreme Court—the flow of interstate commerce.

Again, in another case, the passenger rates of the branch line of a railroad, wholly within the boundaries of a single State, were held constitutionally subject to the control of the Interstate Commerce Commission, by reason of the effect of the intrastate rates on interstate rates and interstate business.⁴⁷ The Court has again and again regarded similar—

Mr. HARTLEY. Is this a decision of the United States Supreme Court?

Mr. LINDER. Yes, sir. The *Safety Appliance Act Case* (222 U. S. 20). For further decisions along the same line I refer you to the footnote 43 of the brief.

The Court has again and again regarded similar acts as a proper exercise of the "interstate commerce power."

Certainly, it must be clear—and this is the argument I would like to present as forcibly as I know how to Congressmen—that Congress in 1933 and 1934 has proceeded upon the constitutional theory that it lies within the province of the Federal Government to prevent practices which deter the free flow of interstate commerce and to promote practices which stimulate the free flow of interstate commerce. As a matter of fact, if you will read the preamble to the N. R. A., you will find language in that act which was introduced at the suggestion of a constitutional lawyer, made to Senator WAGNER, which he very gratefully adopted, according to the minutes of a hearing on the N. R. A. just before the act was passed.

Mr. SCHNEIDER. A Senate hearing?

Mr. LINDER. A Senate hearing. In that Senator WAGNER accepted with great gratitude the suggestion of a constitutional lawyer that they should stick into the N. R. A. some language which should indicate that the purpose of the N. R. A. was to deter practices which interfered with the free flow of interstate commerce, and to encourage practices which would stimulate the free flow of interstate commerce. As a matter of fact, the A. A. contains language which is even clearer than the National Recovery Act.

The Congress which passed the Agricultural Adjustment Act of 1933 declared that the loss of the purchasing power of the farmers endangered the entire economic structure of the Nation.⁴⁸ The mechanism set up by that act was conceived as a device to restore purchasing power. Certainly, if that is the argument for the N. R. A. and the A. A. the workers' bill is similarly an effort to remove obstacles to the free flow of interstate commerce. Clearly it provides for the general welfare much more directly than the N. R. A., the A. A., the P. W. A., and the other emergency acts which Congress has enacted during the Roosevelt administration.

This bill is an effort to deal with the same problem—the crisis in the purchasing power of the people of the United States. The basic conception of this bill is that the millions of workers and farmers throughout the United States who are unemployed, sick, disabled, and aged, lack purchasing power and that the soundest and most intelligent way to restore that purchasing power is simply and without further ado to give them money. But not to give them money by way of charity or relief, but to give them money as of right, as a compensation for a disability which they suffer, due to no fault of their own and due to the operation of social forces. The basic idea of this bill is that funds should be given to create purchasing power for the masses who must spend the money for the necessities of life and who, in spending the money for these necessities, for milk and for bread and for rent and for things they need to live, will thereby remove obstructions to the free flow of interstate commerce.

Furthermore, a consideration of the advantages of the Federal as against the State or Federal-State social insurance systems will show what the United States Supreme Court terms the "administrative necessity" of a Federal system.

The vast growth of American industry spanning the entire continent and the development of a national economy that is interconnected and interdependent has completely transformed the Nation which was originally the subject of the Constitution. For most purposes of business and commerce State boundaries have ceased to exist. The existence of 48 governmental systems endeavoring to solve problems, essentially national in scope, in 48 different ways has created stupendous contradictions and difficulties. Of course, it is obvious enough that the Wagner-Lewis bill provides precisely that misfortune, 48 different State bills, all different, as different as the ingenuity and the intelligence—or the unintelligence—of the State legislatures can provide. The lack of purchasing power of the unemployed, sick, disabled, and aged is a national phenomenon, national in scope; its causes are bound up with the causes of the national economic crisis.

The administrative advantages in simplicity and efficiency which inhere in a uniform and integrated Federal system, as against the chaos of different plans in different States, are obvious.

⁴⁴ *Stafford v. Wallace*, supra.

⁴⁵ *Colorado v. U. S.*, supra.

⁴⁶ See Declaration of Policy, National Industrial Recovery Act, June 16, 1933, c. 90, 43 Stat. 195.

⁴⁴ *Mass. v. Mellon*, supra.

⁴⁵ *Safety Appliance Act case* (222 U. S. 20); *Wisconsin R. R. Com. v. C. B. & Q. R. R. Co.* (257 U. S. 553); *Stafford v. Wallace* (258 U. S. 485); *Board of Trade v. Olson* (262 U. S. 1); *Colorado v. U. S.* (271 U. S. 153).

The Federal system is the only feasible one, because it is only the Nation which can deal with the problem as it must be dealt with. The problem is a problem of mass unemployment, with millions out of work. The loss in purchasing power runs into billions of dollars. Only the Federal Government, with its vast resources and imponderable taxing power, can provide the funds to meet a problem of such magnitude. Many of the States simply do not have the necessary financial resources or adequate taxing power. Their unemployed, however, need compensation no less than the unemployed of the wealthier States, and it is equitable that the wealthier States should contribute to the support and maintenance of the human beings in the poorer States. The incomes earned from Nation-wide industry are, in a large measure, beyond the taxing power of any but the one State where the income is received. Consider a huge industrial plant in the Middle West owned by a corporation domiciled in New York. Its income, earned in the Middle West, is received in New York. It is New York which can most effectively tax that income. Yet when a depression occurs and the plant in the Middle West is shut down, the human beings whose labor contributed to the income received in New York are dropped, and the burden of their maintenance lies in the Middle Western States. The surplus, resources, and continuing income of the New York corporation in New York are not adequately available to the taxing power of the Middle Western State. Only the Federal Government can properly distribute the burden, because only it can effectively reach the income and property of a New York corporation. Thus the taxes paid by the New York corporation may, through the instrumentality of the Federal taxing power, be made available to meet the human needs of the unemployed throughout the country. Clearly it is only the long arm of the Federal Government which can reach out and deal with this problem.

The national emergency legislation which has been enacted during the Roosevelt administration involves an understanding of the national character of our economic problems. Furthermore, this legislation indicates a keen appreciation of the inadequacy and cumbersomeness of the Federal subsidy system. This legislation provides for direct aid to persons, firms, and corporations in the States. The A. A. A. provides Federal moneys directly to farmers all over the country. There is no nonsense requiring the Federal Government to grant subsidies to the States and the States to grant the money to the farmer. The Federal Government deals with the farmer directly. It does so in the firm realization that the price of crops grown by a farmer in Iowa determines his purchasing power, and that even if his crops never get beyond the boundaries of his State and even if his purchasing power is exercised for the purchase of products made within the State, his purchasing power is a matter of direct concern to the entire Nation.

Similarly, the Reconstruction Finance Corporation Act created the R. F. C. to supply Federal money direct to bankers throughout the country. The money was not given to the States to parcel out to the bankers. The bankers, whether their business was intrastate or interstate, whether they did a Nation-wide business or a neighborhood business, were the objects of national concern and were dealt with as such. Similarly, the Home Owners' Loan Corporation was organized by the Government to supply money, in theory, to home owners throughout the country; in practice, to mortgagees throughout the country. Thus "farmers' relief", "bankers' relief", and "home owners' relief" have all been envisaged as Federal problems requiring Federal solution.

There is no intelligent reason why the unemployment problem, which is similarly a Federal problem, and which similarly requires national solution, should not be dealt with in the same way.

We must remember that the bill here considered does not depend for its constitutionality on any consideration of the "interstate-commerce power" upon the argument that the regulation of intrastate business is necessary because of its effect on interstate business. Although I have stated the argument by analogy from the R. F. C. and the H. O. L. C. and the A. A. A. and the N. R. A., I do not at all mean to imply that the constitutional argument is based on that analogy, because I could not be sure of that ground. The N. R. A. has been held unconstitutional again and again and again in the inferior courts of the country—and the citations are collated here—on the ground that it involves an interference with intrastate business. And the Wagner-Lewis bill involves a mare's nest, a hornet's nest of constitutional complications because of all the problems of that character that are there involved.

This bill does not have to depend upon any argument that we are trying to deal with the purchasing power of the Nation; we are trying to stimulate the flow of interstate commerce, because, as I said at the outset, and I repeat, much in the form of a musical rondo, in which you start with the theme and come back to it, it is simply an act by which Congress spends money. It rests upon the same constitutional basis as the Reconstruction Finance Corporation Act and the Home Owners' Loan Corporation Act. The Reconstruction Finance Corporation Act is an act by which Congress spends money for the relief of bankers throughout the country. The Home Owners' Loan Corporation Act is an act by which Congress spends money for the relief of mortgagees who cannot get a dime on their mortgages. The A. A. A. is an act for the relief of farmers directly. I want to withdraw the reference to the A. A. A., because the A. A. A. involves the whole complication of difficulties involved in the processing tax, with all the problems of direct injury and all the rest of it, and due process, that are there involved. Here we have something which

rests for its constitutional basis upon the same basis that the R. F. C. and the H. O. L. C. have.

The Congress which passed, and this is all that I want to say by way of summary. I trust I have made it clear, as an act it rests on the same constitutional basis as all these other acts, as the R. F. C., which spends money. The Congress which passed the Reconstruction Finance Act apparently was convinced that it was for the general welfare, that the banks in this country should be given money out of the Treasury of the United States so the banks could stay in business. The Congress which passed the H. O. L. C. Act apparently was convinced that it was for the general welfare that individuals and corporations owning mortgages affecting real estate should be given bonds of the United States in payment of their mortgages.

When Congress, and this is my concluding statement, when Congress passes this bill, if, as and when it does, it will at last have realized that it is for the general welfare of the United States, that all human beings in the United States who, through no fault of their own, are unable to earn the necessities of life, should receive money so that they may purchase the necessities of life, of living, and in so doing maintain not only their own very lives, but the economic life of the country.

The CHAIRMAN. On behalf of the committee I want to thank you for the valuable information you have given.

Mr. LINDER. If there are any constitutional law questions, I will be very happy to try to answer them, so far as I can.

I am submitting herewith for your convenience a list of citations and am prepared to submit additional citations if it is desired.

Mr. HARTLEY. Did I understand you to say before that we would be strengthening our case by further defining the powers of the Secretary of Labor?

Mr. LINDER. Well, I should say that you would strengthen the bill by an elaboration of the bill, but I should say that the energies of the House Committee on Labor, if it were determined that this bill were sound, should rather be devoted to the enactment of the bill as it stands than to getting into a lot of arguments that would be aroused, and would be involved in the question of definition. The bill in its present form is, I think, simple and intelligent; so simple that even a lawyer used to complicated and technical language can understand it. This bill is so simple it states its method by which it solves this problem, so simply and intelligently that any further attempt at elaboration here and now would involve a diverting of the energies of the committee into collateral arguments on definitions and that sort of thing. I should say I think it would be laudable and it would be splendid if a formal, technical bill in language which perhaps is more technical than this bill should be drawn, and should set up an elaborate administrative mechanism, and so forth; but it seems to me that the problem of the proponents of this bill in the present Congress is to persuade Congress that this idea is right. If you persuade Congress that this idea is right, the formulation of the technical bill is simply a matter for experts. I mean, a matter of definition, and that sort of thing, you can state what is said here more technically, but I do not think you could state it much more intelligently. I think that this bill in its present form is intelligent, is clear, is readable, and most important of all, as far as I am concerned, is constitutional.

THE LUNDEEN BILL APPROPRIATES FEDERAL FUNDS FOR THE GENERAL WELFARE

This bill provides for the appropriation of Federal moneys out of the Treasury of the United States for the payment of compensation to the unemployed, the sick, the disabled, and the aged. It is simply an exercise of the appropriating power, the power of Congress to spend money. It deprives no one of his property without the "due process of law" guaranteed by the Constitution. Unlike other unemployment and social-insurance plans, it does not involve the setting up of "reserves" created by enforced contributions by employers or employees.

Since the bill is merely an exercise of appropriating power, it rests upon the same constitutional basis as do the Reconstruction Finance Corporation Act and Home Owners' Loan Corporation Act, which involve merely an exercise of the power of Congress to spend Federal moneys. These acts all provide for direct aid to persons, firms, and corporations in the States. The Reconstruction Finance Corporation Act supplies Federal moneys directly to banks throughout the country. Unemployment and social insurance problems are even more clearly Federal problems. They require similar national solution.

H. R. 2327 UNQUESTIONABLY CONSTITUTIONAL

The Congress which passed the Reconstruction Finance Corporation Act, the Home Owners' Loan Corporation Act, and the bulk of the national-emergency legislation clearly conceived that it was for the "general welfare" that individuals, corporations, and banks should be given money out of the Treasury of the United States. When Congress passes

this bill it will have realized that it is for the "general welfare" that all human beings in the United States who, through no fault of their own, are unable to earn the necessities of life, should receive money representing their contribution to production so that they may purchase the necessities of life, and in so doing maintain not only their lives but the economic life of the United States.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, the gentleman from New Jersey [Mr. EATON], whose views and whom I personally admire and respect, and whose friendship I value, very properly presented to the House in taking the position that he has on this bill pertinent inquiries and arguments. During the course of his remarks he asked questions in relation to the taxes imposed upon wealth-producing agencies and the effects he fears will follow therefrom—the fear that it will wipe out business, the effect this bill will have on the very foundations of our civilization, and the responsibilities which the Federal Government under this bill will undertake when the bill becomes law. Had his arguments come from some other Member of the House I would not have been so surprised; but I am, coming as they do from one of the most logical-minded, one of the most humane, and from one whom I consider to be one of the most progressive Members of this body. He well said that this bill and its purposes transcends politics. I agree with him. It is pleasing to me to note that the Republican Party takes no definite position on this bill. There are some who are opposed to certain features, some who are for the entire bill, and some who have objections, as they are entitled to have objections, to certain features of the bill. A Member has the right, if honestly entertaining such thoughts, to be in complete opposition to the entire bill. From the remarks made by the minority Members it is clear that their minds on this legislation transcend mere partisan politics.

I shall address myself briefly, Mr. Chairman, to the pertinent question the gentleman from New Jersey raised, a question which might be titled, "Human rights and responsibilities of government in relation thereto versus property rights and the responsibility of government in relation thereto."

What are the functions of government? Government has two functions—a primary function and a secondary function. The objective of the performance of both these functions is the general welfare of the people, of those with property, and of the unfortunates who are without property and without means, of business, of employer and employee, the general welfare of all our social and economic groups, and as far as possible and as the circumstances require of all of our people.

Mr. EATON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I shall be pleased to yield to my friend.

Mr. EATON. I would not want the gentleman to leave the impression—and I have such an affectionate regard for him I know he would not want to—that I consider property rights above human rights.

Mr. McCORMACK. No; not at all.

Mr. EATON. But I am interested in preserving what wealth-producing agencies we have in the interest of human rights.

Mr. McCORMACK. I am glad my friend interposed his remark, because under no conditions would I want to convey any such impression; and I will state specifically that the gentleman's position is honest and sincere. He has no desire, of course, where there is a conflict between human rights and property rights, to take a position other than that which his conscience prompts him to take. There is an honest difference of opinion between us.

The ultimate object of our Government is the general welfare of our people. Among the people of a nation are the unfortunates, the poor, the sick, the aged, and other persons in a dependent position; each generation has and will have them. Under our economic system, known as the

"profit system", we shall always have the employer and the employee. As a result of this relationship, problems arise which require action on the part of the Government to control and regulate, where the general welfare is involved, whenever abuses arise out of private industry and whenever private industry is unable to control them, the continuance of which abuses would be inconsistent with the welfare of the country. Under such circumstances some agency must step in and assume the burden of correcting such abuses in the interest of the general welfare; and in the past, as we see again in the pending bill, this agency is government itself.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. MAY. I think the clearest expression we have ever had of the function of government was stated in the Declaration of Independence by Thomas Jefferson, when he said that the object of government was the protection of life, liberty, and the pursuit of happiness. I think that is what this legislation is designed to do, if it is perfected.

Mr. McCORMACK. I agree with my distinguished friend. I think reference to the general welfare includes all of the worthy objectives of government mentioned by Mr. MAY. Government in the past has had to extend its secondary functions in order to control abuses which have arisen out of the operation of private industry; government will and must continue to do so in the future.

The primary functions of government are very limited. The primary functions of government consist of protecting our country against foreign invasion, of preserving internal order, and by taxation to raise the money with which to provide for these essential duties of government, all of which duties relate to the natural law of self-preservation in its application to a nation. When we get beyond the performance of these duties by government we enter into what is termed the "secondary function of government." For example, the maintenance of our public-school system is not a primary function of government. The regulation of the railroads is a secondary function, necessary because of abuses that private agencies could not control. In order to try to control those abuses government had to step in and extend a secondary function by creating regulatory boards.

The Workmen's Compensation Act was action on the part of government, another extension of its secondary field, necessary to control abuses arising out of private industry. This is not a criticism of the profit system to which I subscribe, but governmental action was, is, and will continue to be necessary when the circumstances call for the same and when no other agency exists that can properly meet them and determine them for the interests of our people. Under such conditions there is the mouthpiece of the people, their Government, to which the people are justified in turning, to step in and undertake to regulate existing abuses, and to control or minimize them for the general welfare.

Take the minimum-wage law for women and children employed in the industry of my State and other States, where women and children were exploited by private industry. Private industry could not or did not control the situation. Many employers wanted to, but they could not because if they did they would increase their production cost with reference to unscrupulous competitors, and as a result a small group of unscrupulous business men affected everyone in the same field of business activity; so that all were compelled, whether they wanted to or not, to employ the tactics and the practices of this small, unscrupulous group.

The 48-hour law for women and children in my State and in other States, and the regulatory boards for public utilities, were necessary to control abuses. The charges upon the general public being unreasonable, and because of other actions employed by public utilities who had a monopoly and who occupied a special position, which practices were inconsistent with the welfare of the general public, the Government had to step in, extending every time its secondary function of government in order to meet and control a situation affecting the general welfare. The furnishing of water by cities

and towns to its own inhabitants is a secondary function of government. The maintenance of our roads is a secondary function of government. The purposes of this bill come clearly within the purview of the same principle.

If conditions exist which require consideration somewhere, the continuance of which conditions would be harmful to the general welfare; and if private industry or the agency out of which they arise are unable to control them, it is the duty of Government to enact legislation which will try and meet the problem and determine it for the general welfare and the benefit of our people.

Mr. Chairman, let us examine the situation further. In performing duties devolving upon government as a necessary extension of its secondary functions, the shoe must pinch somewhere. Someone has got to pay extra taxes; someone has to assume increased burdens. It is necessary for the general welfare of all.

I recognize the burden that government is imposing, but I recognize, on the other side, that there is a need today to meet the problem contained in this bill, just the same as the law of necessity or of exigency in the past required the extension of the secondary functions of government to meet the problems of those days. It is the same condition, only today it exists with reference to our unemployed and to those unfortunate persons who have gone beyond the age of productivity, that requires our consideration and which prompts this bill. Somebody must bear this burden. Where, with reference to unemployment compensation and contributory annuities, does it belong more rightfully than upon that field out of which the necessity for legislative action rises—the field of private business?

We have reached the day when many employers—in fact, most of our employers are conscious of it—realize that business owes a responsibility to society; that they do not owe it to themselves to earn mere profits. The existing circumstances make it necessary or exigent that something should be done. They owe something to their employees. They owe a duty to the community in which their business is located. There is a growing consciousness on the part of our business men of the social responsibility that they owe to government itself, but it is incapable of expression because a small percentage of unscrupulous competitors fail to cooperate. The result is that honorable, high-type business, comprising at least 90 percent of every business activity, are unable to put into operation that which they would like to, because by so doing a business man would, or fears he will, create a differential against himself, a differential running in favor of his competitor. We say that something must be done, and that government step into the picture and exert its power and influence by extending its secondary field in order to meet a problem requiring solution, in order that the general welfare might benefit. This is our problem today, just the same as the problems I briefly referred to heretofore were the problems of past legislative bodies, just the same as the Congresses of tomorrow and the legislative bodies of the several States of the Union of tomorrow will have their problems to meet.

Mr. Chairman, we cannot close our eyes to facts; we cannot ignore cold evidence, and the cold evidence is that there are 7,500,000 persons today 65 years of age or over; that there are approximately 1,000,000 receiving welfare relief, and of that 1,000,000, 200,000 receive old-age benefits from 29 States and 2 Territories. By 1970 the aged will number 15,000,000, and by the end of the century 19,000,000, of whom it is estimated at least one-third will require assistance. It might be said, "Why should we look ahead 30 years?" The answer is, we should. We cannot close our eyes to the fact that we owe a duty to the future. We cannot legislate today to adequately meet the conditions that might exist in 1970, but at least we can lay the foundation today so that those of 1970 and later will be able to more easily meet the problems that might confront them. One million or more persons cannot continue to receive such aid from the Government without a loss of self-respect and without its effects being harmful to our Government and our people.

Mr. RANDOLPH. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from West Virginia.

Mr. RANDOLPH. I hesitate to interrupt the gentleman in his splendid address, but I simply want to say that I believe Victor Hugo gave a statement which it would be well to put in the Record at this time, when he said: "The smoothing out of rough places is the great policy of God." I am certain the gentleman from Massachusetts (Mr. McCORMACK) has expressed the same sentiments, that we owe a duty to those less fortunate than ourselves.

Mr. McCORMACK. The duty and responsibility of the Government in the assumption of these social problems is upon the theory that the strong must and should take care of the weak where the circumstances call for and justify it. None of us know what is liable to happen to us in the journey of life. Misfortune may visit us. While we are all born equal under the law, equality stops there. We are not all born under the same environment. We are not born with the same mentality. We are not all born with the same productive abilities.

Some men may be mentally brilliant and weak physically; other men may be strong physically and weak mentally. Some of us are born with a desire to save in order to have security in old age, while others are not. We have got to consider this question from the angle of a nation of 125,000,000 people. We cannot establish what we individually possess as the standard for everyone else. We have got to realize that the strength or the weakness of our Nation is represented by the collective strength or the weakness of all of our people. We have got to realize that these problems exist, and while I wish they did not exist, yet they do, and some agency must meet them. What agency is left to meet them in an adequate manner other than the agency of Government?

Of course, someone must assume the burden. It is the strong who naturally must and should assume a burden of this kind, the continued existence of which is harmful. Why should not business during the productive period of an employee's life assume in part at least this responsibility? When an employee reaches old age, business lets him go. Unlike an old piece of machinery that can be thrown away or sold, a human being cannot be sold. He can be thrown out, but not sold. After employment ceases and old age is arrived at, with no resources, society must assume the burden. That has unfortunately been our experience of the past. If this is so, it is only proper that as a part of the cost of production, business should assume the responsibility of establishing a fund out of which reasonable benefits will come to the unemployed and out of which earned benefits will come in the case of the old and the aged.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman from Massachusetts 5 additional minutes.

Mr. EATON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. EATON. Mr. Chairman, we have been listening to a very extraordinary address by one of the ablest men in public life. The gentleman has referred to an utterance of mine, but I would like to lay emphasis upon the very thing he is emphasizing and have it included in his address, namely, there is just one source for all this, and that is the wealth-producing agencies of this Nation, and when the Government exercises its secondary powers in regulating that agency, instead of wrapping it in grave clothes, it ought to make its path easy to discharge this necessary function.

Mr. McCORMACK. I agree with the gentleman, but I disagree with him about the dangers. My friend, I think, will agree that business owes a duty to society during the productive period of a person's life.

Mr. EATON. Yes.

Mr. McCORMACK. My friend talks about taxes. I have stood on this floor and I have opposed the imposition of heavy taxes. I voted against a conference report last year. But let us face the facts again. If we imposed anywhere near the taxes in America that are being imposed in England today,

we would more than balance not only our ordinary Budget but we would meet our emergency expenditures. [Applause.] Let us be frank about it. Let me illustrate:

A single person in England with an earned income of \$4,850 pays \$664.85 income tax. In the United States he pays \$138.40, and in New York State the State income tax is \$115.50, totaling \$253.90.

A British couple without children would pay \$589.50, while in the United States, including the New York State income tax, the payment would be \$145.30.

With one child, in England, the taxpayer would pay an income tax of \$534.70, while the United States and New York State income tax combined—and the other States are somewhat comparable—would be \$117.

With two children, in England, the taxpayer would pay an income tax of \$480.15, while in the United States, Federal and New York State, he would pay a total tax of \$73.36.

And so it goes; and the same thing applies to business.

I do not want to impose heavy taxes, but the fact must remain that business and income taxes in this country, under existing circumstances, are not unreasonable.

Mr. EATON. The gentleman does not consider the English condition of taxation so ideal that he would like to have it reproduced in America, does he?

Mr. McCORMACK. I answered the gentleman. I told the gentleman I would not want taxes to be comparable, nevertheless, in an emergency such as this it is evident there is a great disparity. The people of England have assumed their burden, they have assumed their social problems, and in the United States because of the passage of one of the most progressive pieces of legislation, to meet the demand and the problems of the day, the argument of property, which is related to taxes, is advanced in opposition to it.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. LUNDEEN. I wish to call the gentleman's attention to the fact in this connection that the British are balancing their budget and have announced that they are on the high-road to prosperity, and we were good enough to give them nearly \$10,000,000,000, cutting down their taxes, and then the King said, "I will go with you 50-50", and canceled the rest of it.

Mr. McCORMACK. Correct.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. RICH. I have been trying to find out from Members of Congress how we are going to be able to balance the Budget. The gentleman just stated how they were doing this in England. Is the Democratic Party today going to assume its responsibility and do what their plank on this subject in the party platform calls for, and that is balance the Budget; and are they going to say to the American people that we are not going to put this burden on our children but that we are going to assume it?

Mr. McCORMACK. My friend is a very fine gentleman. I do not think he entertains the thoughts in his mind which sometimes he unconsciously expresses. [Laughter.] My friend can never permit any other Member to take the floor but what he injects something partisan. Certainly the last thing I was trying to do in this mild, humble effort of mine was to contribute anything of a partisan nature.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 1 more minute.

Mr. McCORMACK. I have one more thought that I want to leave with you. The old-age-pension provision is an effort to meet the problem that immediately confronts us. One may disagree as to its adequacy, and I respect their right to disagree. The committee has done its best. It has presented a fine bill, as it is presented in its entirety. I have made an effort in the Ways and Means Committee to have the amount to each State increased to \$20 a month. If we only confine ourselves to a remedy for the immediate situation, we have partially failed. We should try to meet the causes which bring about dependency in old age. That is what prompts the passage of the contributory annuity provisions. That is

the purpose of the pay-roll contribution of employer and employee—for the employees and employers to contribute to a fund from which an earned annuity, one as a matter of right, and not a gratuity based on need, will be received during their lives. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Georgia [Mr. CASTELLOW] such time as he desires.

Mr. CASTELLOW. Mr. Chairman, I have listened with deepest interest and sympathy to the many splendid speeches made on the bill before us for consideration which impresses me as being, by far, the most important legislation that has come before this body since I have been a Member of the House.

In the time allotted me, and for which I am grateful, it is not my purpose to undertake to discuss the mechanics of the bill, nor yet its superstructure, for these things have been discussed meticulously by the splendid and very intelligent gentlemen composing the Ways and Means Committee, as well as by many other earnest, honest, and intelligent Members. It is my purpose to endeavor to explore the subject just a little further and try to take in a bit of new territory.

Someone has said it is not enough to speak, but to speak truly. So let us be reminded it is not sufficient to legislate, but to legislate wisely. In so doing, and to facilitate that purpose, it behooves us to consider not only the character of building we would construct but to examine most carefully the foundation upon which it is to be erected. Let us not repeat the folly of him who built upon the sands but, on the contrary, test the foundation and carefully determine its ability to support the weight to which it is subjected. In my judgment, there is a formula in legislation and government which parallels, and is analogous to, the well-known principle in physics: that we cannot prize up more than we prize down. This being true, it becomes not only important to determine what is to be prized up, or benefited by legislation, but what is to be prized down and depressed. It might be prudent to recognize the fact that there could be a limit to even American enterprise and ability to withstand a constant drain upon its resources. We are even now becoming conscious of the ominous rumblings of uneasiness, if not discontent, caused by the rising of living expenses as a result of processing taxes and other Government activities. Let us not be deluded by the idea that the Government produces anything of value or has magical power—what it gives it must take, and its taking, since we are not a plundering nation, must be from its own subjects, and sooner or later each will be called upon, in some form or another, to bear his proportionate burden. In short, there is a limit to what the traffic will bear.

Of the needs of the old we have heard much. Who is there with feelings so dead and heart so callous as to render it necessary to have his sensibilities stirred by reference to their needs? Who is there with conscience so seared as not to be reached by the outstretched and pleading hands of the unfortunate and helpless, whether old or young? It is all too true that to perceive them one needs but open his eyes to the conditions surrounding us. As was said by the Master, "For the poor always ye have with you . . ." Were it not for our weakness and the instability of our nature, this need not be true. Yet, without giving this consideration, we reckon in vain. Providence has placed within the reach of mankind that with which our every need could be supplied and might be speedily accomplished for every inhabitant of this globe but for the existence of one outstanding trait of human nature—selfishness. The expression occurs in the translated version of the Bible that the love of money is the root of all evil. I contend that this is a misinterpretation of the original text, for beyond question there are things which are evil but have no connection or relation to the love of money. Rape, seduction, and, in many instances, murder might be cited as examples. The original expression must have been, for it is undoubtedly true, "the love of self is the root of all evil." There is nothing evil done by men that is not prompted by the love of self. Although it is the basis for the wickedness and infamy of

mankind, it is likewise responsible for practically all human progress. Even ambition itself is born of selfishness. Selfishness is to humanity what steam is to a locomotive; you cannot operate without it and too much is destructive.

This humanitarian bill recognizes that principle, for by its provisions States are to be induced to provide more liberally for their unfortunates by affording some the opportunity of getting more, or otherwise receiving less, from the Federal Treasury in proportion to their local contributions, thereby coercing them, so to speak, by an appeal to selfishness. If any are too weak or poor to comply with the terms—and it has often been asserted upon the floor of this House that many are—then will it again come to pass, "For whosoever hath, to him shall be given, and he shall have more abundance: but whosoever hath not, from him shall be taken away even that he hath." It might not be irrelevant to suggest at this point that some of the legislation we have already enacted may be operating in this way. In addition to this, and judging from reports, it may be that the small and weaker units of industry have a similar cause for complaint.

The question has often recurred here as to the necessity of Federal legislation upon subjects which the individual States could handle if so desired. This was discussed in the early part of this debate in reference to the unemployment-insurance feature of the bill, and it was explained by saying that where a State imposed the burden of such a tax upon its industries, such industries found it impossible to successfully compete with the industries of other States where similar taxes were not imposed. This seems logical, for the tax necessarily increases the cost of production. Assuming, then, that this is a correct statement of the result as between States of the Union, what will be the result as between the industries of the Nation operating under such tax when their products come into competition with similar products of industries operating in countries which have no such provision. Is it not, therefore, logical to assume that such competition cannot be met and that under these conditions we will be driven from world trade and must become self-contained? If this conclusion is consistent, I then submit to the Members of this House as to whether or not we have earnestly considered and fully estimated the result to American industry. If curtailment of production results, what will be the effect upon those employed in the plants which under the conditions must curtail production, or perhaps close? There is a vicious circle which legislators should ever strive to avoid, for ill-advised remedies are often disastrous. Can this question be answered by saying that other countries have enacted such laws with no harmful results? It may be that such laws could easily be enacted by many countries without danger where their standards of living and wages paid are much lower than ours, even after their cost of production is hiked by such legislation. Let us beware lest we commit the folly of not only discouraging but destroying the spirit of that class of our citizenship which, inspired by a spirit of enterprise and thrift, have contributed so much to the building, in the shortest period, the greatest country of which civilization can boast. Shall we, in an ill-advised moment, while chafing under temporary adversity though still enjoying comforts and even luxuries of which our sturdy ancestors never dreamed, exchange for a mess of porridge the birthright which from them we have inherited?

A most wise and beneficent Providence prepared and gave to us without cost broad acres of fertile plains set with grass to which it was adapted and provided with innumerable reservoirs in the form of lakes to store up and preserve in time of plenty the waters which by relays were brought from the distant seas—may the time never come when we will regret that we did not emulate nature's example in planning—but, with a beclouded vision and an ill-advised hope of wresting from this wonderful soil even greater benefits and profits, our farmers, to increase their acreage, drained these lakes, and not being satisfied with the profits yielded by the greatest of natural pastures, plowed up and destroyed

the grass which was the very source of their wealth and income. Heart-rending now are the pictures that are painted of a barren waste swept by devastating winds accompanied by unnatural clouds while the discouraged and frightened inhabitants of this erstwhile prosperous region are broadcasting the appeal, "Come over and help us or we perish."

It is not my purpose to be critical as I am only recalling the facts taken from statements made by the splendid Representatives of these citizens on the floor of this House. Neither would I chide them with their folly, for who is there to boast of a monopoly on wisdom?

Confronted with the results of a similar lack of foresight in the South, where erosion has taken a frightful toll, we should not assume to occupy the seat of the critical, but in sympathetic unison with our brothers of the West, endeavor at least to profit by experiences of the past, the accomplishment of which is the real test of wisdom. But in this connection let us be warned that since we have evidenced at least no stupendous amount of wisdom in our management and treatment of those bountiful gifts of nature, it might be wise not only to stop, look, and listen but to do some real thinking before we go too far in overriding and discarding the prophetic vision of those who made possible our great inheritance. The foundation of the wealth which we are dissipating, the inherited fortunes which without stint we are mortgaging, were largely produced by those who have gone before. Let us not destroy in the hope of greater immediate gain, as we did with the fertile plains of the West and the rolling hills of the South, the gifts of nature, the products of their toil. How easy it is for benefit to assume the form of bounties which in turn metamorphose into doles, those dread barnacles attaching themselves with disastrous results to the weakened ship of state. Let those who are dissatisfied with reasonable benefits from our National Treasury not delude themselves with the idea that because a grain of a given medicine might benefit the patient, that an ounce of the same would necessarily cure.

I am reminded just here of a story I heard or read in the almost forgotten past, of a subject who applied to his king for a gift from his amassed quantity of gold. The citizen received no rebuff from his king, but on the contrary, after being supplied with a substantial and commodious bag, he was conducted by the representative of the king to the vault wherein was stored in fabulous quantity this most alluring metal and was there informed that the king had concluded to give him all the gold he could carry at one turn from the vault in the bag provided, but only on condition that he should place all he desired therein before he measured by a test of his strength its weight. This seemed fair enough, so with gloating eyes and eager hands, he piled in the precious metal until he began to wonder as to its weight and his ability to carry it. Presently he knew that the bulging sides of the bag indicated much weight, but his avarice would not permit him to desist from adding just a little more, and a little more, until finally, when he did conclude to shoulder his precious burden and go, to his great surprise he could not budge the bag. So under the terms of the bargain he was forced, with hopes dissipated and faltering step, to leave the vault without a penny of its shining wealth. This should remind those who would reach their hands too far and too often into the Public Treasury that even a good thing can be overdone. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Tennessee [Mr. MITCHELL] such time as he desires.

Mr. MITCHELL of Tennessee. Mr. Chairman, in title I of the bill under consideration the Federal Government grants, in aid to the States, pensions to persons who have reached the age of 65 years. The Government will match what the different States put up to the amount of \$15 per month to each person. On June 8, 1934, President Roosevelt said in a message to Congress:

Our task of reconstruction does not require the creation of new and strange values. It is rather the finding of the way once more to known, but to some degree forgotten, ideals and values. If the

means and details are in some instances new, the objectives are as permanent as human nature.

Among our objectives, I place the security of the men, women, and children of the Nation first.

The security for the individual and for the family concerns itself primarily with three factors. People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguard against misfortunes, which cannot be wholly eliminated in this man-made world of ours.

And on January 17, 1935, the President made the following statement to Congress:

The establishment of sound means toward a greater future economic security of the American people is dictated by a prudent consideration of the hazards involved in our national life. No one can guarantee this country against the dangers of future depressions, but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation. We pay now for the dreadful consequence of economic insecurity—and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to obtain the objectives sought.

To these sentiments we must all agree. It will be more economical to have the present bill enacted into law than the expensive system of maintaining county poorhouses in the different counties of the States and in the different local communities. Let the States cooperate under this law and thus save expense to State and county governments. One-half is to be borne by the Federal Government and one-half by the States, which will operate to relieve the counties of this burden of taxation. It is most expensive now in many counties of my State in Tennessee to care for the aged and infirm, and to keep them in the different county asylums for the poor. A recent bill was passed by the House of Representatives in Tennessee to relieve the counties of this expense and have the State assume the entire obligation. This shows the growing demand for assistance from the larger jurisdiction—State assistance. In turn, our State greatly needs relief from expenses of this kind if it is possible to get it.

More than 8,000,000 people in the United States are over 60 years of age. Many of them are unable to work.

There should not longer be a poorhouse. This is a relic of another age. It belongs to the past. We have substituted the electric light for the candle, the auto for the horse, the machine gun for the musket, the airship for the buggy—let us be progressive in government also—since the depression set in, when the savings of many old people were swept from under them, and they are now destitute. It was through no fault of theirs. They had worked and saved to provide against a rainy day, but in vain. Their near relatives—sons and daughters—are not able to help them.

The bankers, trust companies, and power companies received the earnings of these aged people and then defrauded them out of it.

I favor this bill because it means a new outlook on life for the aged.

They will face security and happiness in the future instead of hunger, humiliation, and the poorhouse. It will make all people more interested in their Government and its perpetuity. They will want their Government to stand, and they themselves will have something to look forward to when the wintry winds blow and they approach the last day, which is to be the common experience of all.

Many States now have a pension law, and most nations of the world except the United States. We are about to take this most important step—already too long delayed. Let us make the aged and infirm free from care and hunger.

A bill of this kind will brighten the outlook on life.

If depressions come in the future, as they will, then the weak and infirm will know the strong arm of the Government is still behind them.

More love for the flag and greater loyalty to it will be the result of passing this legislation.

No greater service could be rendered by the Government. Those who are in business, young and active, and blessed with good health, will not complain at the tax when they know of the great service it is rendering those in need and those who have sacrificed for them in previous years. They will be glad

to pay the debt of gratitude they owe the fathers and mothers of America.

Relief rolls will be done away with under the provisions of this bill. This must be done, if possible.

We must reduce the cost of government.

We must do away with unnecessary boards and bureaus. Too many exist in our Government today. Let us abolish them.

Let us do away with unnecessary offices and officers.

Let us reduce expenses in every branch of the Government. Let us return to the democratic principle of government, that a people are best governed who are least governed.

The care of the weak, the aged, and infirm is a responsibility of government and a service we should render. Let us enact this law and perform that duty. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee [Mr. TAYLOR].

Mr. TAYLOR of Tennessee. Mr. Chairman, I appreciate this opportunity extended to me to register my views on the pending bill; however, in view of the limited time allotted me, my remarks will necessarily be brief.

I yield to no one in my interest in or zeal for social security, but I am frank to say that the bill under consideration, if not materially amended, will prove to be a dismal disappointment to millions of American citizens who have anxiously hoped to see this Congress enact a measure that would in some substantial degree provide relief for the indigent, aged, and other underprivileged people in our Nation.

In view of the report of the Committee on Economic Security, appointed by the President to investigate and report to him recommendations for legislation on this subject, and in view of the message of the President to the Congress, on January 7 of this year, transmitting the report of his committee, I had fondly hoped that some measure would be submitted to our body which, if enacted into law, would meet the demands of this problem in which the American people are so vitally concerned at this hour. But, Mr. Chairman, after a careful study of the bill before us, which is supposed to have the authorship and backing of the President, and after listening to the discussions that we have had on this measure, I am fully convinced that the bill before us as an instrument of relief is an absolute futility—an idle gesture. Unless this bill is amended giving it more definite and unqualified terms to provide for the people it is heralded to aid, I shudder to contemplate the consternation, the disappointment, and the despair that will follow its enactment.

Mr. Chairman, there are now more than 7,000,000 people in the United States over 65 years of age, and, due to the wide publicity and propaganda that has been given to this subject during the past 2 years, a large majority of them are expecting to receive material benefits under this measure immediately upon its enactment. Judging by the thousands of appealing letters and petitions that I have had on this subject, and the numerous personal contacts that I have had with constituents who are hopeful of becoming the beneficiaries of this legislation, I am sure that a large majority of this vast number are thinking of practically nothing else but the day when this legislation will be enacted into law and they will receive their first check sent them by a generous Government. At this very moment they have their eyes focused on Washington, and their hearts, tender with years, are throbbing with anxiety in anticipation of the passage of a measure which will be of substantial assistance to them by providing some means to acquire the comforts of life in their declining days. I visited the little town in which I live recently, and during the 2 days I spent there scores of old, decrepit, and gray-haired mothers and fathers who had worn out their bodies in honest toil, but who had accumulated little, if any, of this world's goods, approached me and, with the agony of desperation depicted in their haggard faces, inquired of me as to the fate of "their bill", the old-age-pension bill.

Just picture for a moment the utter despair and the consternation of such people as these throughout the length and breadth of the land when they discover that the Congress

of the United States has given them an old-age-pension law which is so complicated and involved in red-tape and joker provisions as to make it practically a downright nullity. When they realize that when they ask their Government for bread it gave them a stone, you can begin to imagine their despondency, and worse still, their resentment and loss of faith in the integrity of constituted authorities.

According to the terms of this bill the Government agrees to give to those over 65 years of age a pension in such amount as may be matched up to \$15 per month by the State in which such persons reside. Therefore, only persons in those States that are financially able to meet this condition will be benefitted by this legislation as now proposed. During the course of this debate it has been repeatedly asserted by representatives of what some are disposed to refer to as "backward" States that a large number of States are so beset with financial difficulties that it will be impossible for them to qualify for the benefits of this legislation. What a spectacle it would be, Mr. Chairman, for the Government to be taking care of the aged and helpless in one State while the same class of citizens were denied these benefits in another State, even an adjoining State! The legislature of my own state, Tennessee, has been in session since January 1 and is scheduled to adjourn within the next few days. It will not convene again for 2 years unless convoked in special session by proclamation of the chief executive. No provision has been made by our legislature to anticipate the provisions of this bill and participate in its benefits. The same is doubtless true of many other commonwealths of the Union.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 3 minutes more.

Mr. TAYLOR of Tennessee. Anticipating that this measure will probably pass in practically its present form, it being an administration bill, and realizing its gravity to the indigent aged of my State, I have today wired the Governor of Tennessee as follows:

Hon. HILL McALLISTER, Governor,
Nashville, Tenn.:

You are doubtless aware that the so-called "social-security bill" is now being considered by the House of Representatives here. The terms of this proposed legislation as written make mandatory that each State put up an equal amount to that of the Federal Government, the share of the Federal Government not to exceed \$15, if the State shall participate in the benefits of the act. If provision is not made by our legislature to comply with this requirement, our aged will receive no benefits whatsoever under the bill proposed. It is therefore manifestly imperative that proper action be taken by our legislature before its adjournment.

J. WILL TAYLOR.

I contend, Mr. Chairman, that it is only common justice that pensions to our aged should start simultaneously in every State in the sisterhood, and this bill should so provide.

Another subterfuge in this bill will be found in the fact that it only carries an appropriation of \$49,750,000. As I have previously stated, there are more than 7,000,000 people in the United States over 65 years of age. Suppose only one-half of that number applied. They would only receive the paltry sum of \$28.10 per year, which would be \$2.35 per month, of 7½ cents per day. A close scrutiny of this measure will reveal many other such ridiculous fallacies. We have heard a great deal about a "pauper's dole" during this discussion. Ye gods, this does not even rise to that dignity, Mr. Chairman. [Laughter.]

In apologizing for the insufficiency of this appropriation, the advocates of the bill point out that provision is made for this year only and that larger appropriations will follow. They attempt to justify this argument by further pointing out that only a very few States will qualify immediately, which to me is the chief abomination of the proposition. The downright injustice of this proposal is perfectly manifest. If we are going to provide for the aged of New York, Massachusetts, and other opulent States, for God's sake let us also provide for the aged in Arkansas, Kentucky, Tennessee, and other less fortunate States at the same time. [Applause.] The aged of every section of the Nation are

entitled to the same treatment at the hands of their Government and at the same time. To excite the hopes and aspirations of the aged of our country to have them later disillusioned, as they inevitably will be under this plan, is unworthy of this great Nation, and if we thus trifle with their feelings our act will go down in history as the outstanding crime of the century. [Applause.]

(The time having expired, Mr. TAYLOR of Tennessee was yielded 3 minutes more.)

Mr. TAYLOR of Tennessee. The bill before us today is, in my opinion, a veritable "gold brick", a delusion, and a snare—a hollow mockery of the "purest ray serene"! When this debate is concluded, and we take the bill up under the 5-minute rule, let us strip it of its persiflage, its camouflage, its sophistries, and its subtleties and redeem our admitted obligation to the aged and helpless of our land who on account of penury and infirmity and the vicissitudes of life are unable to take care of themselves. Let us enact a law that will not only be a credit to ourselves but one that will become the dignity and respectability of this, the greatest Nation in the world. [Applause.]

Mr. Chairman, many have seen fit to condemn the so-called "Townsend plan" and have resorted to all sorts of satire, ridicule, and invective in expressing their condemnation of the measure. Some have seen fit to characterize it as "cockeyed", and have referred to it as a "legislative monstrosity." I want to warn you, my friends, that if this bill now under consideration passes in its present form, replete as it is with uncertainties, inequalities, and incongruities, mixed with a certain amount of manifest insincerity, you will do more to popularize and promote the Townsend plan than all that the Townsendites could possibly do to advance their cause. I have about come to the conclusion that the modified Townsend plan is not so bad as it has been pictured, and with a little more amending I might support it myself. Certainly some plan of merit, justice, and integrity must be evolved to meet this most vital and imperative situation.

Mr. LUNDEEN. Will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield.

Mr. LUNDEEN. Why should we not do something now instead of the distant future?

Mr. TAYLOR of Tennessee. That is exactly what I am insisting upon.

Mr. Chairman, another hardship and inequality in this measure is presented in the section providing for unemployment insurance. I am inclined to favor the principle of unemployment insurance, but what are you going to do with the so-called "unemployables"—those thousands of economic unfortunates between the ages of 45 and 65, who are refused employment in industry solely on account of age?

(The time having again expired, Mr. TAYLOR of Tennessee was yielded 2 minutes more.)

Mr. TAYLOR of Tennessee. I live in a mining community, and I personally know that persons over 45 who apply for a job at the mines are rejected on account of their age regardless of their fitness for work. This policy is not confined alone to the mining industry. It is employed in practically every shop and factory throughout the Nation and is even practiced by the Government itself. It has been estimated that there are approximately 8,000,000 of this class in the United States today. Only yesterday I received a communication signed by 25 citizens of a town in my district who are suffering from this handicap. Their letter to me is as follows:

HARRIMAN, TENN., April 14, 1935.

Hon. J. WILL TAYLOR,
Member of Congress, Washington, D. C.

DEAR SIR: We would like for you to inform us what will be done with men over the age of 50 years, since they are out of work and are not allowed any relief.

J. B. Gukes, J. M. Bolt, John Harmon, Nute Wayrick, J. W. Gorden, C. C. Kernes, Horace G. Campbell, Mrs. Mollie Turpen, Cal Goodman, John Harmon, Roe Goddard, A. W. Johnston, W. H. Harmon, J. H. Whaley, T. Broustetter, J. D. Whaley, Fred Pyatt, E. W. McCormack, W. D. Bennett, A. J. Hall, H. W. LaRue, Henry Graham, Charlie Carl, Nick Smith, Joe Landreth.

This situation, Mr. Chairman, is a most serious menace to the welfare of our Nation, and something must be done about it. This bill takes no account of this class, which makes up a very large part of our population. These people would prefer not to have Government relief as such. What they want is an honest-to-God job that will enable them to provide for themselves and their families. [Applause.] It is a sacred obligation of this Government to get behind private industry and stimulate its activities to the end that permanent employment may be afforded to this class. Emergency Government work is all right in its place; but, of course, this can only be temporary. This artificial "shot in the arm" practice should be discarded, and the agencies of the Government should turn their attention to the resuscitation and rehabilitation of private industry. Furthermore, Mr. Chairman, this cannot be accomplished by the Government trying to run everybody's business or by the Government entering into general competition with private enterprise. If there ever was a time when we should have less government in business and more business in government it is now!

(The time having again expired, Mr. TAYLOR of Tennessee was given 10 minutes more.)

Mr. TAYLOR of Tennessee. When Mr. Roosevelt was campaigning for the Presidency in 1932, by public utterance he repeatedly deplored the fact that there were 10,000,000 people in the United States out of work, and solemnly promised, if elected to the Presidency, to immediately find employment for them. He has already been in office 2 years, and, according to statistics compiled by the American Federation of Labor, there are today more than 10,000,000 idle workmen in our country. And I want to say, Mr. Chairman, that if the administration continues its reciprocal treaty negotiations whereby our protective-tariff walls are rapidly being broken down and our home markets, as a result thereof, glutted by the products of the pauper labor of Europe and Asia, very shortly another 5,000,000, now employed in industry, will be added to the ranks of the unemployed in America. The textile industry of this country is today threatened with paralysis on account of the importations from Japan and other countries, where labor is paid only a small percent of what it receives in the United States.

In the Washington Herald this morning there appears a news item under an Atlanta date line, saying that, with demoralization spreading through Georgia textile industry as a result of unsettled conditions over the processing tax and cut-throat Japanese competition, three more mills announced shut-downs yesterday, throwing more than 1,000 operatives out of work. Quite a number of textile mills in that area had previously ceased operation for the same reasons, and the item further stated that a number of other mills, including the Flint River Cotton Mill, employing 400 persons, were preparing to close down. The story further states that "chaotic conditions exist in the industry because cheap Japanese imports which have increased 2,000 percent in the past year are stealing domestic markets." The story further adds that "the flood of Japanese goods are selling at prices far below the cost of manufacturing the same goods in Georgia mills." The same distressful conditions exist in the textile industry throughout the New England States where a large number of plants have discontinued operation, and unless some drastic action is taken to correct the situation this blight of industry will become epidemic throughout the Nation.

This tragic condition, Mr. Chairman, is not confined alone to the textile industry. Other industries are likewise affected and from identical causes. Even the great agricultural industry is not immune to this creeping economic paralysis proceeding from foreign importations. It is illuminating to note that from July 1, 1934, to March 1, 1935, 6,509,998 bushels of corn were imported from abroad, a large portion of which came from Mexico and the Argentine.

It is perfectly apparent that this condition greatly aggravates our already grave unemployment problem and adds

materially to our national burden. In the face of this deplorable picture the present administration continues to hug to its bosom the long since exploded fetish of "free trade", oblivious of the brave struggle of trade and industry in the United States for existence. Surely the fallacy and absurdity of such a pied-piper policy is perfectly obvious to even the "wayfaring man though he be a fool."

(The time having again expired, Mr. TAYLOR of Tennessee was granted 2 minutes more.)

Mr. TAYLOR of Tennessee. I apologize, Mr. Chairman, for injecting a tariff argument into this debate, but the protective tariff principle is so interwoven with the subject at hand that its germaneness is beyond challenge.

Again, my colleagues, I was very much disappointed when I found that this bill makes no provision whatever for the hopelessly crippled and blind of our Nation. It seems to me that if there is any part of our citizenship that needs and merits the solicitude and sympathy of our Government it is those who have lost their sight and who are doomed to permanent blindness, and those who must hobble through life on crutches or lay bed-ridden on account of the ravages of disease or as a result of injury.

I regret that my time will not permit me to discuss the other features of this bill. I have spoken at length on the old-age-pension title because I feel very keenly our obligation to the aged. I am greatly interested in child welfare, public health, vocational rehabilitation, and the other problems which this measure is designed to improve and promote. But these problems, my friends, must be dealt with free from technical ambiguity and in straightforward American fashion.

While the American taxpayer is groaning under a burden of taxation never dreamed of by our fathers, I have faith in his philanthropy and patriotism to believe that he will never complain of whatever taxation may be necessary to relieve human misery of every character in America.

And now in conclusion, I wish to make the prophecy that if this measure, without material amendment, is enacted into law it will prove to be the greatest boomerang this or any other administration has ever encountered. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts [Mr. CONNERY].

Mr. CONNERY. And, Mr. Chairman, I thank my handsome and distinguished colleague [Mr. TREADWAY] for granting me these few minutes. The only reason that I want them is to put into the RECORD an amendment that I am going to offer when we start to read the security bill today or tomorrow. The amendment which I shall offer is the Lundeen bill, and I shall read it now so that Members who have not read the bill will know just what the bill contains. No one so far has shown any good reason why the Lundeen bill should not be adopted in preference to the bill now before the House. I believe it is far superior to the bill before the House, and when the security bill is read I shall offer the Lundeen bill as an amendment as follows:

Mr. CONNERY offers the following amendment: On page 2, before title I, insert the following as a new title:

" TITLE I

" SECTION 1. The Secretary of Labor is hereby authorized and directed to provide for the immediate establishment of a system of unemployment insurance for the purpose of providing compensation for all workers and farmers above 18 years of age, unemployed through no fault of their own. Such compensation shall be equal to average local wages, but shall in no case be less than \$10 per week plus \$3 for each dependent. Workers willing and able to do full-time work but unable to secure full-time employment shall be entitled to receive the difference between their earnings and the average local wages for full-time employment. The minimum compensation guaranteed by this act shall be increased in conformity with rises in the cost of living. Such unemployment insurance shall be administered and controlled, and the minimum compensation shall be adjusted by workers and farmers under rules and regulations which shall be prescribed by the Secretary of Labor in conformity with the purposes and provisions of this act through unemployment insurance commissions directly elected by members of workers' and farmers' organizations.

"Sec. 2. The Secretary of Labor is hereby further authorized and directed to provide for the immediate establishment of other forms of social insurance for the purpose of providing compensation for all workers and farmers who are unable to work because of sickness, old age, maternity, industrial injury, or any other disability. Such compensation shall be the same as provided by section 1 of this act for unemployment insurance and shall be administered in like manner. Compensation for disability because of maternity shall be paid to women during the period of 8 weeks previous and 8 weeks following childbirth.

"Sec. 3. All moneys necessary to pay compensation guaranteed by this act and the cost of establishing and maintaining the administration of this act shall be paid by the Government of the United States. All such moneys are hereby authorized to be appropriated out of all funds in the Treasury of the United States not otherwise appropriated. The benefits of this act shall be extended to workers, whether they be industrial, agricultural, domestic, office, or professional workers, and to farmers, without discrimination because of age, sex, race, color, religious or political opinion or affiliation. No worker or farmer shall be disqualified from receiving the compensation guaranteed by this act because of past participation in strikes, or refusal to work in place of strikers, or at less than average local or trade-union wages, or under unsafe or unsanitary conditions, or where hours are longer than the prevailing union standards of a particular trade or locality, or at an unreasonable distance from home."

The Lundeen bill will do justice to the masses of the people without laying a heavy burden upon their backs. I hope the House will pass this amendment, which will make life more bearable for the people who have been mercilessly exploited by those who can see only the almighty dollar as their god and have no sympathy for those whose toil brings them all their comforts and luxuries.

COST OF ADEQUATE, GENUINE UNEMPLOYMENT, OLD-AGE, AND SOCIAL SECURITY—SOURCES OF REVENUE FOR FINANCING THE LUNDEEN WORKERS' BILL, H. R. 2827

SUMMARY OF ESTIMATED COST

To determine the cost of the social insurance which would be provided in H. R. 2827 requires several estimates, which should be used with caution. In the first place, the United States has no current basis for ascertaining accurately the number of unemployed.

The second and more important point requiring caution relates to the estimate of the effect of social insurance upon purchasing power, and its consequent results in decreasing the amount of unemployment through stimulation of reemployment. No experience in this country is available to indicate the extent to which an increase in consumers' purchasing power for those in the lower income groups would stimulate production and increase employment.

If it is assumed, however, that the entire amount of benefits paid under the provisions of this bill would appear in the market as new purchasing power, economists have calculated that 60 percent of this total would become available as wages and salaries. Therefore, on the basis of given average wages and salaries, it can be estimated how many persons could be reemployed, and this would result in a corresponding decrease in the number of unemployed eligible for benefits, and therefore in a reduction of costs.

Having in mind the above cautions, it may be said at once that if there be 10,000,000 unemployed, the annual gross cost, after taking care otherwise of those who should receive old-age pensions and those who are unemployed because of sickness or disability, and eliminating those under 18 years of age, to whom the bill does not apply, would be \$8,235,000,000. Deducting from this the estimated decrease in the cost of unemployment insurance on account of the reemployment of workers following the establishment of a social-insurance program, \$6,090,000,000, and adding to it the cost of old-age pensions, sickness, disability, accident, and maternity insurance, and deducting present annual expenditures for relief amounting to \$3,875,000,000, we would have a net annual increase for the Federal Government imposed by the provisions of the bill amounting to \$4,060,000,000.

If the number of unemployed be equal to the average number estimated as unemployed in 1934, as 14,021,000, then the annual net increase in cost, after deducting present expenditures for relief and estimating the reemployment which

would follow adequate social insurance, would be \$5,800,000,000.

The estimate of total costs of the program for social insurance under the bill should be compared with the amount that workers have lost in wages and salaries since the beginning of the depression. According to estimates published in the Survey of Current Business for January 1935, total income paid out to labor since 1929 was as follows (in millions):

	1929	1930	1931	1932	1933
Total income.....	\$52,700	\$48,400	\$40,700	\$31,500	\$29,300
Loss from 1929.....	-----	4,300	12,000	21,200	23,400

The total loss to workers in wages and salaries in the first 4 years of the depression has amounted to \$60,900,000,000. It is with these huge losses sustained by American workers during these 4 years that the costs of security provided by the bill should be compared. Furthermore, considering the inadequacy of present relief measures, it must be realized that the cost of truly adequate relief would be the cost of this bill.

AUTHORITY FOR ESTIMATES

These estimates of the cost of an adequate unemployment, old-age, and social-security program are based on the statement of Dr. Joseph M. Gilman, economist of the College of the City of New York, who testified at the hearings held by the House Labor Subcommittee, representing the Interprofessional Association for Social Insurance. In accordance with permission granted me, I will now submit for the RECORD portions of Dr. Gilman's statement, taken from the hearings.

The first excerpt from Dr. Gilman's statement shows the estimated cost of the Lundeen bill on a basis of 10,000,000 unemployed, and may be found on page 585 of the hearings.

Cost of 10,000,000 unemployed

Number of persons unemployed (hypothetical).....	10,000,000
Deductions:	
1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	320,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pensions.....	2,250,000
3. Estimated number unemployed because of sickness or disability.....	250,000
Balance of unemployed.....	7,180,000
I. Annual cost of unemployment insurance (7,180,000 by \$1,147).....	\$8,235,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program.....	6,090,000,000
III. Annual net cost of unemployment insurance.....	2,145,000,000
IV. Annual cost of old-age pensions.....	4,535,000,000
V. Annual cost of sickness, disability, and accident insurance.....	1,200,000,000
VI. Annual cost of maternity insurance.....	55,000,000
VII. Total annual cost.....	7,935,000,000
VIII. Present annual expenditures.....	3,875,000,000
IX. Annual net increase in cost.....	4,060,000,000

Cost for 14,021,000 unemployed

On a basis of 14,021,000 unemployed in 1934, the estimated cost is as follows:

Average number of persons unemployed in 1934, all ages.....	14,021,000
Deductions:	
1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	550,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pension (see above).....	2,250,000
3. Estimated number unemployed because of sickness or disability (see above).....	250,000
Balance of unemployed.....	10,971,000

Deductions—Continued.

I. Annual cost of unemployment insurance (10,971,000 by \$1,147 (see p. 586))	\$12,584,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program (see p. 589)	8,699,000,000
III. Annual net cost of unemployment insurance	3,885,000,000
IV. Annual cost of old-age pensions (see p. 586)	4,535,000,000
V. Annual cost of sickness, disability, and accident insurance (see p. 583)	1,200,000,000

Deductions—Continued.

VI. Annual cost of maternity insurance (see p. 588)	\$55,000,000
VII. Total annual cost	9,675,000,000
VIII. Present annual expenditures (see p. 589)	3,875,000,000
XI. Annual net increase in cost	5,800,000,000

COST OF DEPRESSION TO LABOR
These estimated costs should be compared with the huge annual losses suffered since 1929 by labor.

Estimated annual wage loss of unemployed in 1934

[Based on average annual wage and salary rates for 1932 in National Income Report¹]

Industry	Unemployed (in thousands)			Annual wage or salary			Loss of earnings (in millions)			
	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified	
Agriculture	1,847	231	18	\$648,909	\$2,210	---	1,198.9	210.0	---	
Mines and quarries	---	---	---	---	---	---	---	---	---	
Electric light and power and manufactured gas	---	---	73	---	---	\$1,339	---	---	97.7	
Manufacturing	2,345	643	---	876	2,241	---	2,054.2	1,441.0	---	
Construction	959	108	---	1,151	2,297	---	1,103.8	248.1	---	
Transportation	---	---	1,499	---	---	1,499	---	---	1,083.3	
Communication	---	---	253	---	---	1,320	---	---	334.0	
Wholesale and retail	---	2,200	---	---	1,245	---	---	2,739.0	---	
Finance	---	427	---	---	1,953	---	---	836.1	---	
Government:	---	---	---	---	---	---	---	---	---	
(a) Excluding public education	---	99	---	---	1,477	---	---	146.2	---	
(b) Public education	---	185	---	---	1,400	---	---	259.0	---	
Service:	---	---	---	---	---	---	---	---	---	
(a) Recreation	---	---	208	---	---	1,332	---	---	287.3	
(b) Personal	---	---	460	---	---	1,645	---	---	450.7	
(c) Domestic	---	---	1,123	---	---	670	---	---	752.4	
(d) Professional	---	---	373	---	---	1,416	---	---	528.2	
(e) Miscellaneous	---	---	79	---	---	1,105	---	---	87.3	
Miscellaneous industries	---	---	871	---	---	1,283	---	---	1,119.2	
Total	5,332	3,630	4,849	---	---	---	4,564.9	5,709.2	5,672.3	
Total wage and salary loss										\$15,993,400,000
Unemployed entrepreneurs (110 at annual average loss, \$973)										128,200,000
Total										16,072,600,000
Average loss										1,143

73d Cong., 2d sess., S. Doc. No. 124, National Income, 1929-32

¹ 1929 rate; 1932 rate only \$352.

COST OF OLD-AGE PENSIONS

The following tables show the number of people eligible for old-age pensions and the estimated cost:

I. (a) Number of persons aged 65 and over (1930 census)	6,634,000
(b) Estimated number of persons aged 65 and over in 1934 (President's Committee on Economic Security Report, p. 24)	7,500,000
II. (a) Number of persons aged 65 and over, gainfully occupied (1930)	2,205,000
(b) Estimated number of persons aged 65 and over who were gainfully occupied in 1934 (average)	2,500,000
NOTE.—II (b) to II (a) in same ratio as I (b) to I (a).	
III. (a) Estimated number of gainfully occupied persons who would be eligible to retire upon enactment of the workers' bill	2,250,000
NOTE.—10 percent allowance for entrepreneurs of substantial means (U. S. Census estimate, letter to Committee, IPA, Dec. 3, 1934).	
IV. (a) Nongainfully occupied persons aged 65 and over (I (b) - II (b))	5,000,000
(b) Estimated number eligible for old-age pensions (males, 1,422,000; females, 3,078,000)	4,500,000
NOTE.—10 percent allowance for those of substantial means.	
V. (a) Number of gainfully occupied persons in III (a) (2,250,000) plus husbands or wives aged 65 and over (777,000, or V (e) + V (g)) or (V (b) + V (c) + V (e) + V (g)) ¹	3,027,000
(b) Gainfully occupied males (less entrepreneurs)	1,950,000
(c) Gainfully occupied females	300,000
(d) Gainfully occupied males, married	1,242,000
(e) Gainfully occupied males, married, whose wives are 65 and over (assumed not gainfully occupied)	673,000
(f) Gainfully occupied females, married	104,000
(g) Gainfully occupied females, married, whose husbands are 65 and over (assumed not gainfully occupied)	104,000

¹ All figures in V and VI are estimated from ratios derived from 1930 Census.

VI. (a) Balance of married persons among nongainfully occupied ((d) + (e))	1,237,000
(b) Balance of males (1,422,000 - 104,000) (IV (b) - V (g))	1,318,000
(c) Balance of females (3,078,000 - 673,000) (IV - V (a))	2,405,000
(d) Married males in VI (b)	} = 1,237,000 above {
(e) Married males in VI (b) whose wives are 65 and over	
	435,000

Of the 4,500,000 in IV (b), these have been accounted for:

(1) Wives, 65 and over, of gainfully occupied males (assumed not gainfully occupied) (V (e))	673,000
(2) Husbands, 65 and over, of gainfully occupied females (assumed not gainfully occupied) (V (g))	104,000
(3) Balance nongainfully occupied males 65 and over, married (VI (d))	802,000
(4) Balance nongainfully occupied females 65 and over, married (VI (e))	435,000

Not yet accounted for:

(5) Nongainfully occupied widows, widowers, divorced, single persons, aged 65 and over	2,486,000
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ANNUAL COST OF OLD-AGE PENSIONS

A. Number of gainfully occupied workers aged 65 and over, eligible for old-age pensions at annual average rate of \$1,200 per annum (\$1,199 average annual rate, 1932, 1929-32 National Income Report)	2,250,000
B. Number of married couples nongainfully occupied, husband or both 65 or over	802,000
C. Number of unmarried persons 65 or over	2,486,000
Annual pension, \$676 (\$10 plus \$3 per week).	
Annual pension, \$520 (\$10 per week).	
Cost of A	\$2,700,000,000
Cost of B	542,000,000
Cost of C	1,293,000,000
Total	4,535,000,000

COST OF SICKNESS, ACCIDENT, AND DISABILITY INSURANCE

Class C, 1930 Unemployment Census (persons out of a job and unable to work on account of sickness or disability)	172,661
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NOTE.—Would assume 250,000 since census figures are out of line with other experience.

Class D, 1930 Unemployment Census (persons having jobs, but idle on account of sickness or disability)-----	273, 588
Total -----	446, 249

NOTE.—According to report of President's Committee on Economic Security, which states that 2.25 percent of all industrial workers are at all times incapacitated, it would seem that the total of 446,249 badly underestimates the amount of sickness and disability.

Class C type-----	250, 000
Class D type-----	750, 000

Cost of sickness, accident, and disability insurance (1,000,000 × \$1.200)-----	1, 200, 000, 000
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NOTE.—\$1.199 average annual wage or salary in 1932 (National Income Report 1929-32).

COST OF MATERNITY INSURANCE

Number of gainfully occupied married women between ages 15 and 44 (1930 census)-----	2, 425, 000
Number of married women between ages 15 and 44 (1930 census)-----	17, 836, 000
Birth rate per 1,000 population (1930)-----	18.9
Birth rate per 1,000 married women (above)-----	137.0
Number of births per annum to gainfully occupied married women (on above basis)-----	332, 000
Probable number of births-----	150, 000
Annual cost for 16-week benefit (150,000 × \$3.69) (\$3.69 = $\frac{1}{25} \times \$1.200$)-----	\$55, 000, 000

NOTE.—\$1.199 average annual wage, 1932, National Income Report, 1929-32.

PRESENT COST OF UNEMPLOYMENT RELIEF

It should be made clear that the cost of the Lundeen bill will not be over and above present expenditures for relief, but will replace these expenditures. At the present time, according to Dr. Gilman's statement, the costs of unemployment relief are as follows:

I. Federal Government (source of statistics: General Budget Summary, Treasury Department, estimated expenditures for year ending June 30, 1935, schedule 3):	
(1) Federal Emergency Relief Administration-----	\$1, 733, 208, 700
(2) Civil Works Administration-----	13, 842, 100
(3) Emergency conservation-----	402, 363, 000
(4) Relief of unemployment-----	100, 000, 000
Public works:	
(3) Loans and grants to municipalities-----	166, 300, 000
(5) Public highways-----	428, 600, 000
Total expenditures of a relief character -----	2, 844, 313, 800
II. State and city (basis: Federal Emergency Relief Administration reports) -----	
	400, 000, 000
Total unemployment relief -----	3, 250, 000, 000

PRESENT COST OF OLD-AGE RELIEF

Present expenditures by National, State, and local government bodies for old-age relief may also be deducted from the additional cost of the Lundeen bill. Present old-age expenditures are as follows:

1. Federal Government to veterans and widows (report of Administrator of Veterans' Affairs, 1933)-----	\$235, 000, 000
2. State old-age assistance (President's Committee on Economic Security)-----	43, 000, 000
3. Industrial and trade-union pensions (President's Committee on Economic Security)-----	100, 000, 000
4. All other (rough estimate)-----	50, 000, 000
Total -----	428, 000, 000

PRESENT COST OF SICKNESS, DISABILITY, AND ACCIDENTS

The National Safety Council estimates for 1932 that wage loss from occupational disabilities was \$370,000,000. Compensation for such loss is estimated as \$200,000,000.

TOTAL PRESENT ANNUAL EXPENDITURES FOR RELIEF

Dr. Gilman's estimate of the total present cost of relief for unemployment, old age, and sickness at the present time is \$3,875,000,000. This is based on the tables just presented.

REDUCTION IN COST OF WORKERS' BILL FOLLOWING PASSAGE

The estimates just given of the cost of the workers' bill represent the cost for the first year. The following tables show the estimated decreases in the cost following enact-

ment of the measure, resulting from increased purchasing power.

The first table shows the total national income and the fraction of that income which is paid out in wages. Below that is the ratio of salaries and wages to income produced on a percentage basis.

Year	National income (excluding Government) ¹	Salaries and wages (excluding Government)
1929-----	\$76, 500, 000, 000	\$45, 300, 000, 000
1930-----	63, 500, 000, 000	40, 600, 000, 000
1931-----	47, 800, 000, 000	32, 900, 000, 000
1932-----	34, 000, 000, 000	23, 700, 000, 000
1933-----	36, 300, 000, 000	21, 900, 000, 000

¹ National Income, 1929-32; National Income, 1933; Survey Current Business January 1935.

Ratio of salaries and wages to income produced

1929-----	0. 592
1930-----	. 639
1931-----	. 683
1932-----	. 679
1933-----	. 603
1934 (estimate)-----	. 600
Total insurance benefits payable (annually) under workers' bill (p. 585, I+IV+V+VI)-----	\$18, 374, 000, 000
Present expenditures for relief, old age, etc.-----	3, 875, 000, 000
Increase in purchasing power of lower income classes upon passage of workers' bill-----	14, 499, 000, 000
Increase in annual demand for consumers' goods (100 percent assumed) (see Brookings Institute, America's Capacity to Consume, p. 84)-----	14, 499, 000, 000
Increase in annual wages and salaries to meet increased demand for goods (decrease in cost of unemployment insurance) (60 percent of \$12,590,000,000) (ratio of salaries and wages to income produced, 1934, above)-----	8, 699, 000, 000
Annual net increase in cost-----	5, 800, 000, 000

SOURCES OF FUNDS

Now I wish to answer the question often asked: "Where will you get the money for this program?"

It has been pointed out that an important difference between H. R. 2827, the Lundeen bill, and other proposals is in the source of funds. Other proposals—including the Doughton bill—depend on the building up of reserves in advance of payment of benefits, these reserves to be secured by a tax on pay rolls. Several serious objections are made to this method. In an article in the *Annalist*, published by the *New York Times* on February 22, 1935, by Elgin Groseclose, professor of economics, University of Oklahoma, under the title, "The Chimera of Unemployment Reserves Under the American Money System", attention is called to the provisions in H. R. 4120 in these words:

The Wagner bill, as introduced in Congress, sets up in the Federal Treasury an "unemployment trust fund", in which is to be held all moneys received under the provisions of the act, and directs the Secretary of the Treasury to invest these moneys, except such amount as is now required to meet current withdrawals, in a defined category of obligations of the United States or obligations guaranteed as to both principal and interest by the United States.

The *Annalist* article summarizes the objections to these reserves for unemployment insurance as follows:

- (1) Financial reserves can be effective only in cases where contingencies can be calculated and determined by actuarial methods and where these contingencies arise in sufficient regularity to permit the arrangement of reserves in accordance therewith.
- (2) The incidence of depressions are irregular and unpredictable, and hence defy actuarial procedure.
- (3) Purchasing power cannot be stored up en masse under our money system, which is a system of debt, rather than metallic circulation.
- (4) The attempt to create unemployment reserve will intensify booms.
- (5) Unemployment reserves are incapable of mobilization when needed and any attempt to mobilize them will only result in further intensification of depressions.

Testimony before the Committee on Labor on the Lundeen bill (H. R. 2827) brought out the further objection that a tax on pay rolls is a tax on cost of production which is passed on to the consumer in higher prices to all consumers and to workers in lower wages as well as in higher prices to them as consumers. Thus it tends to reduce rather than to expand purchasing power, causing in itself recurrent industrial depression which arises out of the failure of con-

sumption to keep pace with production, or a disproportion between money available for consumers' purchases and funds available for investment in increased production.

Moreover, these reserves, even if they could be accumulated without these disastrous effects upon consumers' purchasing power, and upon the monetary system, would be inadequate to cover more than a fraction of needs. The Commissioner of Labor Statistics and Senator ROBERT F. WAGNER (in radio addresses on Mar. 7) have estimated that if H. R. 4120 had been in effect from 1922 there would have been set aside by 1934 the sum of \$10,000,000,000; yet, the figures on the national income published by the Department of Commerce show that in 4 of those years workers lost \$60,000,000,000 of wages and salaries. Thus, even if reserves seem to involve saving the Treasury from obligation, as a matter of fact, they leave unsolved the real problem of protecting workers against the destitution of mass unemployment.

As the only adequate solution of the problem, and to avoid the unsound idea of setting aside reserves, the funds required in H. R. 2827 are made an obligation upon existing wealth and current higher incomes of individuals and corporations. These sources may be indicated as follows:

FIRST. INCOME TAXES OF INDIVIDUALS

If the United States were to apply merely the tax rates of Great Britain upon all individual incomes of \$5,000 or over, a considerable sum would be available for social insurance. These rates in 1928 would have yielded the Federal Government five and three-fourths billion dollars as against slightly over one billion actually collected. In 1932, a year of low income, we would have collected on the same basis \$1,128,000,000, as against the actual receipts of \$324,000,000.

SECOND. CORPORATION INCOME TAX

Compared with other countries, also, our corporation tax is very low. Taking a flat rate of 25 percent, we would have raised in 1928 the amount of \$2,600,000,000 instead of \$1,200,000,000.

THIRD. INHERITANCE OR ESTATES

Here again the United States is very lenient. In 1928, on a total declared gross estate of three and one-half billion dollars, the total collected by Federal and State taxes was only \$42,000,000, or a little over 1 percent. If an average of 25 percent were taken, this would have been raised in 1928 to \$888,000,000.

FOURTH. TAX-EXEMPT SECURITIES

Exact figures on the total are not available, but here is an important source of large additional returns which should be available for the general welfare.

FIFTH. TAX ON CORPORATE SURPLUS

In 1928, the corporate surplus, representing the accumulation by corporations of funds which had not been distributed to labor and capital, amounted to \$47,000,000,000, and even in 1932 it was over thirty-six billions. Made possible as it is by the cooperation of labor and capital, this surplus which is now set aside to meet capital's claims for exigencies certainly should be also a source of funds for labor's social insurance in the exigencies of unemployment. The Department of Commerce has showed in its study of the national income that labor has lost a larger percent of its earned income in the depression than capital has lost in interest charges, because capital has been sustained by drawing both on current income and on accumulated surplus. The great economist, Adam Smith, 150 years ago, called the industrial system a "collective undertaking." Thus it is both logical and just to provide a tax on corporate surpluses as a source for social insurance.

In support of my statements here, I wish again to offer portions of the statement submitted to the House Labor Subcommittee by Dr. Joseph M. Gilman. The first table estimates the funds available for unemployment, old-age, and social insurance. Please note that all figures in this table are in thousands. This table may be found on page 64 of the hearings.

[Figures in thousands]

Source	1933	1932	1928
I. Individual income¹	\$1,129,277	\$1,127,773	\$5,787,059
Estate tax, 50 percent of gross	1,020,478	1,415,194	1,777,135
Corporate tax, net income 25 percent ²	626,520	538,278	2,615,273
Corporate tax, net surplus, 25 percent ³		9,019,881	11,798,046
Expenditures on war preparations	750,000		
Total		12,101,126	21,908,522
II. Individual income¹	1,129,277	1,127,773	5,787,059
Estate tax, 75 percent of gross	1,545,717	2,122,791	2,665,701
Corporate tax, net income, 25 percent ²	626,520	538,278	2,615,273
Corporate tax, net surplus, 25 percent ³		10,823,858	14,146,853
Expenditures on war preparations	750,000		
Total		14,612,700	28,214,867

¹ Estimated on graduated scale approximating British tax rate but higher than the British rate for incomes from \$500,000 to \$5,000,000.

² This should be a graduated tax averaging 25 percent.

³ Surplus and undivided profits less deficit: 1932, 36,079 millions; 1928, 47,156 millions.

⁴ As of Aug. 1, 1934.

NUMBER OF MILLIONAIRES DOUBLE

The sources of funds from income taxes in the higher brackets is greater today than it was a year ago. This is shown by the income-tax returns published by the Bureau of Internal Revenue. Dr. Gilman's tables, quoted below, show the number of income-tax returns made in the different income classes, and also the total amount of available revenue from that source.

Comparison of net income returns for 1932 and 1933¹

Net income classes	Number of returns	
	1932	1933
Up to \$5,000	3,420,935	3,339,602
\$5,000 to \$10,000	237,273	219,735
\$10,000 to \$25,000	77,045	74,626
\$25,000 to \$50,000	17,658	18,168
\$50,000 to \$100,000	5,644	5,927
\$100,000 to \$150,000	962	1,085
\$150,000 to \$300,000	359	693
\$300,000 to \$500,000	136	139
\$500,000 to \$1,000,000	80	84
Over \$1,000,000	20	46
Total returns filed to Aug. 31, 1932	3,760,402	
Total returns filed to Aug. 31, 1933		3,660,105

¹ Prepared by the research division of the Interprofessional Association for Social Insurance on the basis of the preliminary report entitled "Statistics of Income for 1933", submitted to the Hon. H. Morgenthau, Jr., Secretary of the Treasury, on Dec. 3, 1934.

² Incomes of less than \$25,000 declined in number of returns from 1932 to 1933. All income classes above \$25,000 increased in number of returns. Net incomes of \$1,000,000 or over increased 130 percent in number of returns.

ESTIMATES OF FUNDS AVAILABLE FROM INCOMES OVER \$5,000

Applying the income-tax rates suggested in the table below, \$4,622,814,000 additional revenue can be raised each year from individual incomes, and \$1,431,273,000 from corporation incomes. The figures for 1928 are as follows:

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:			
\$5,000-\$10,000	\$4,282,520,000	16	\$685,203,000
\$10,000-\$15,000	1,953,395,000	22	429,747,000
\$15,000-\$20,000	1,213,757,000	24	292,506,000
\$20,000-\$25,000	865,670,000	30	259,701,000
\$25,000-\$50,000	2,328,503,000	35	814,276,000
\$50,000-\$100,000	1,857,578,000	40	743,151,000
\$100,000-\$250,000	1,745,403,000	45	785,431,000
\$250,000-\$500,000	938,079,000	55	509,543,000
\$500,000-\$1,000,000	670,561,000	65	436,060,000
\$1,000,000-\$5,000,000 and over	1,108,563,000	75	831,647,000
Total available			5,787,068,000
Tax collected			1,164,254,000
Additional revenue			4,622,814,000
II. CORPORATION RETURNS			
Income classes:			
Under \$1,000-\$2,999	181,420,000	10	18,142,000
\$3,000-\$4,999	119,482,000	15	17,922,000
\$5,000-\$9,999	211,525,000	25	52,881,000
\$10,000-\$24,999	467,605,000	25	116,901,000
\$25,000-\$49,999	1,055,074,000	25	263,768,000
\$100,000-\$499,999	1,753,943,000	25	438,485,000

	Total net income reported	Tax rate	Revenue available
II. CORPORATION RETURNS—continued			
Income classes—Continued			
\$200,000 under \$1,000,000.....	\$693,405,000	25	\$224,601,000
\$1,000,000 under \$5,000,000.....	2,119,926,000	25	529,981,000
\$5,000,000 and over.....	3,810,359,000	25	952,589,000
Total.....			2,615,273,000
Tax collected.....			1,184,000,000
Additional returns.....			1,431,273,000

Returns of corporations submitting balance sheets, 1928 (all returns):¹
 Tax-exempt securities \$10,116,160,404
 Surplus 52,069,292,140
 Net surplus (after deduction of deficit) 47,156,183,422

TAX INCOME, 1932

The following table shows the available revenue from individual incomes for 1932:

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:			
\$5,000-\$10,000.....	\$1,477,039,000	16	\$208,326,000
\$10,000-\$15,000.....	595,573,000	22	131,026,000
\$15,000-\$20,000.....	329,512,000	24	79,083,000
\$20,000-\$25,000.....	235,312,000	30	70,594,000
\$25,000-\$30,000.....	629,638,000	35	220,373,000
\$30,000-\$40,000.....	393,206,000	40	157,282,000
\$40,000-\$50,000.....	216,625,000	45	97,481,000
\$50,000-\$75,000.....	73,747,000	65	39,561,000
\$75,000-\$100,000.....	57,874,000	65	37,618,000
\$100,000-\$5,000,000 and over.....	35,239,000	75	26,429,000
Total available.....			1,127,773,000
Income tax collected.....			324,745,000
Additional revenue.....			803,028,000

AVAILABLE INCOME FROM CORPORATE INCOMES, 1932

1. Returns of corporations submitting balance sheets for 1932 (all returns):²
 Cash (in till or deposits in bank)..... \$15,917,202,000
 Investments, tax-exempt..... 11,916,864,000
 Investments other than tax-exempt..... 75,630,257,000
 Surplus and undivided profits..... 45,663,746,000
 Net surplus (less deficit of \$9,584,221,000)..... 36,079,525,000

2. Returns of corporations showing net incomes (1932):
 Total gross income..... \$31,707,963,000
 Total net income..... \$2,153,113,000
 Income tax..... 245,689,000
 Available revenue at flat 25-percent rate..... 538,278,000

TAX INCOME, 1933

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:			
\$5,000-\$10,000.....	\$1,477,627,000	16	\$236,452,000
\$10,000-\$15,000.....	559,850,000	22	123,167,000
\$15,000-\$20,000.....	310,248,000	24	74,459,000
\$20,000-\$25,000.....	228,778,000	30	68,633,000
\$25,000-\$30,000.....	621,182,000	35	217,414,000
\$30,000-\$40,000.....	391,765,000	40	157,906,000
\$40,000-\$50,000.....	240,681,000	45	108,306,000
\$50,000-\$75,000.....	81,253,000	65	44,689,000
\$75,000-\$100,000.....	59,511,000	65	37,682,000
\$100,000-\$5,000,000 and over.....	81,559,000	75	61,169,000
Total.....			1,129,277,000
Tax collected.....			372,968,000
Additional revenue.....			756,309,000

II. CORPORATION RETURNS (TAX INCOME, 1933)

Total net income reported..... \$2,506,078,279
 Income tax..... 347,649,990
 Excess-profits tax..... 6,266,721
 Total..... \$353,916,361
 Available revenue at flat 25-percent rate..... 628,520,000

¹ Statistics of Income, 1928, p. 32.
² Statistics of Income, 1932, p. 160.
³ Statistics of Income, 1932.

The following tables show revenue available from estate taxes:
Estate tax as source of revenue

	Jan. 1-Dec. 31, 1928	Jan. 1-Dec. 31, 1932	Jan. 1-Dec. 31, 1933
Gross estate.....	\$3,554,270,000	\$2,830,388,000	\$2,060,951,000
Tax paid.....	\$41,950,000	\$23,674,030	\$61,415,000
Percent to gross.....	1.1	0.8	2.9
Net estate.....	\$1,992,503,000	\$1,423,437,090	\$828,302,000
Tax paid.....	\$41,950,000	\$23,674,000	\$61,415,000
Percent to net.....	2.1	1.7	7.4

REVENUE AVAILABLE

	Average 25 percent	Average 50 percent	Average 75 percent
Gross estate:			
1928.....	\$888,567,000	\$1,777,135,000	\$2,665,701,000
1932.....	707,597,000	1,415,194,000	2,122,791,000
1933.....	515,239,000	1,030,478,000	1,545,717,000
Net estate:			
1928.....	498,128,000	996,252,000	1,494,378,000
1932.....	355,859,000	711,718,000	1,067,577,000
1933.....	207,075,000	407,150,000	621,228,000

Comparison of American and European income-tax rates
 [Conversion units: 1 pound=\$4.86; France, 1 franc=\$0.0392; Germany, 1 mark=\$0.2382]

	Percent of tax to net income			
	United States	Britain	France	Germany
\$1,000.....	0	0.88	3.38	7.90
\$2,000.....	0	5.57	8.51	15.84
\$5,000.....	0.07	10.38	12.20	18.11
\$5,000.....	2.00	14.22	17.15	21.59
\$7,500.....	3.40	16.29	22.02	26.02
\$10,000.....	4.50	18.62	25.25	29.89
\$15,000.....	6.90	22.95	31.26	34.46
\$25,000.....	10.08	29.47	38.04	39.78
\$50,000.....	17.20	39.30	47.43	45.13
\$100,000.....	30.01	48.10	53.65	47.44
\$500,000.....	52.72	61.58	63.93	49.49
\$1,000,000.....	57.11	63.91	63.97	49.74

Source: New Republic, Jan. 24, 1934.

American and European death taxes

[Source: Preliminary report of Subcommittee on the Committee on Ways and Means, relative to Federal and State taxation and duplication therein (1933), p. 237]

	United States	Great Britain
\$1,000.....	0	1
\$5,000.....	0	3
\$10,000.....	0	3
\$15,000.....	0	2
\$25,000.....	0	4
\$50,000.....	0	5
\$100,000.....	1.5	9
\$150,000.....	3.33	12
\$200,000.....	4.75	14
\$300,000.....	6.50	17
\$400,000.....	7.62	19
\$500,000.....	8.50	21
\$600,000.....	9.25	23
\$800,000.....	10.56	25
\$1,000,000.....	11.75	27
\$2,000,000.....	15.77	33
\$3,000,000.....	18.45	37
\$5,000,000.....	22.99	41
\$10,000,000.....	30.94	51

Conversion: £1=\$4.86

These facts and figures, and the testimony of many other experts and economists and leaders of thought can be found in the hearings on the Lundeen bill (H. R. 2827). They show conclusively that the cost of the workers' bill is well within the ability of the United States Treasury to pay, and if we will raise our income- and inheritance-tax rates to the level of the British rate, we can raise the necessary funds. I hope that Members of this House will study these facts and figures and give their support to the Lundeen workers' unemployment, old-age, and social-insurance bill (H. R. 2827).

⁴ 14.1 percent.

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentlewoman from California [Mrs. KAHN].

Mrs. KAHN. Mr. Chairman, there is no doubt that in the last few years the whole country has become old-age pension minded, as evidenced by the general interest shown in this part of the bill and by the almost general desire to put over this type of legislation. There is little, if any, dissension of opinion on the facts or principles involved, the difference arising mainly as to methods and amounts. Due to causes over which they have had no control, people who several years ago would have scorned the idea of an old-age pension for themselves are now looking to it as their only salvation. I have always been, and still am, in favor of a liberal old-age pension—one that promises more than a mere existence. However, to raise the hopes of a people to expect a liberal pension, through promises which many of us made on the platform and in speeches, and then to offer them such a plan as that proposed in this bill is nothing short of tragic. A sound, workable scheme is what we want—not one so uneconomic or extravagant that, even were it adopted, would topple of its own weight and plunge its beneficiaries into lower depths of despair, nor do we want one so niggardly as to be positively insulting. We desire neither to beguile with one nor to betray with the other, for to beguile is to betray. So I still maintain that we can support a liberal old-age pension, as outlined in the revised bill of the gentleman from California [Mr. McGROARTY], or even the substitute, if the parliamentary situation so develops, that is to be offered, I understand, by the gentlewoman from Arizona [Mrs. GREENWAY]. The pittance carried in this bill is an insult to any self-respecting person whom times and circumstances have made a beneficiary of the Government which they have sustained and of the country which they have helped to build. Verily, they ask for bread and ye give them a stone. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 6 minutes to the gentlewoman from Massachusetts [Mrs. ROGERS].

Mrs. ROGERS of Massachusetts. Mr. Chairman, just after the House convened I asked for 10 minutes' time to talk about trying to save work for the people of this country, trying to get bread and butter for them. I was refused, although the gentleman from New York [Mr. DUFFY] was granted 4 minutes in which to discuss apple pie for his district. Safeguarding employment affects the entire country. This is not a party matter; it is not a sectional matter. I ask you, my friends, do you think it would be possible for me to be sectional when I have known and worked with thousands, literally thousands, of your southern and western veterans as well as my own northern men? Do you not suppose I want to work for the entire country for their sake alone, if for no other?

I am going to speak just for a few minutes upon the question of Japanese imports. From here I go to my office where I hold a meeting concerning a tremendously increasing importation of calf leather from Germany. We have to be on our toes and must be awake to these foreign importations.

I have in my hand a microscope manufactured in Japan. The wholesale price there is 61 cents. After paying our duties, it sells here for \$1.25 wholesale and \$1.95 retail. Similar instruments of American manufacture wholesale at \$7.50 and retail at \$12.50. Think of it!

I hold in my hand one rubber-soled tennis shoe that was made in Japan and one that was made in this country. The price of the American shoe is 60 cents a pair. The Japanese wholesale price is 9½ cents per pair, and the price landed here, 17 cents. For the American product we have to pay 60 cents, and for the Japanese product only 17 cents. No wonder our people are out of work.

I hold in my hand samples of worsted cloth, made in Japan, and samples of worsted cloth made in America, and, by the way, I know from conversation with people in different parts of the country that very few realize the increasingly large amount of woolen textile cloth that is made in Japan. We have discussed the figures about cotton textile cloth, but not woolen, and when you consider that over one million people

are employed in the textile industry, the greatest basic industry in the country, you must realize the danger that is not just around the corner, but that is right here with us. The Japanese wholesale price in America of this cloth is \$1.58, while the wholesale price of the American cloth, which compares with it—and I have a wonderful exhibit in the lobby for the Members to see—is \$1.77½. Japanese cloth costs in this country \$1.58. American worsted cloth, which we do not usually associate with having been made in Japan, \$1.58 against our cloth made at \$1.77.

I have here something that is very startling. Here are two hinges, one made in this country and one made in Japan. I am shocked but I understand, and this can be verified, that the Japanese-manufactured hinges are used in a Government-built building in this country. I will give you the prices of these hinges. The American wholesale price per pair of hinges is \$3.50. The Japanese foreign wholesale selling price per pair, 55 cents; wholesale price, duty paid, \$1.25 per pair. The American price is \$3.50.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 4 additional minutes to the lady from Massachusetts.

Mrs. ROGERS of Massachusetts. I have in my hands two flashlights. The American wholesale price, with lamp, but without battery, 19 cents. It retails, with battery, for 59 cents. The Japanese wholesale price, with lamp, in Japan, 1¼ cents; landed price here, 1.94 cents. It retails, with battery, at 39 cents. The American article, 59 cents; the Japanese, 39 cents.

Mr. LUNDEEN. Will the gentlewoman yield?

Mrs. ROGERS of Massachusetts. I yield.

Mr. LUNDEEN. What became of the reciprocal tariff? I voted against it myself.

Mrs. ROGERS of Massachusetts. And I likewise did. I think we all feel the same way about reciprocal-trade agreements and the way they affect us in our industries.

Mr. CITRON. Will the lady yield?

Mrs. ROGERS of Massachusetts. I yield.

Mr. CITRON. Is it not true that a great many of these manufacturers, who exploited labor in the past, have gone to Germany and Europe and even to Japan with our money?

Mrs. ROGERS of Massachusetts. I think it is deplorable if they have, but I do not think they have so much. I wish to state to the gentleman that I have the greatest admiration and the greatest respect for the northern manufacturers who stayed in their own country. I cannot yield further. I am sorry.

Japanese matches, the wholesale selling price is 52 cents for 144 boxes. The American selling price is 90 cents. The retail price to the public is 1 cent per box for both matches. I do not have time to give you the landed cost on the Japanese-made matches. I will give the manufacturing costs, which are very important, showing the cost to be 66 cents per gross in this country as against Japanese cost of 15 cents per gross.

This security bill speaks about security of the people after they have no employment. I know there is not a single Member here who does not wish to protect American men and women, whether they happen to have money or whether they represent capital; whether they are working day by day, hoping and praying their jobs will be kept. I give everyone of you credit for wanting to help the entire country. Of course, you are going to fight for your own part of the country. I know you would not ask, if you represented the entire country, as Secretary Wallace does, you would not appeal to the South and to the Middle West as he did, to work against and fight against us, a commercial warfare against other parts of the country. I know you will do everything in your power to have the President act to protect our great American industry, and if he does not act, I know you will pass legislation.

[Here the gavel fell.]

The CHAIRMAN. The Chair desires to call to the attention of the gentlewoman from Massachusetts the fact that it will be necessary for her to receive permission to revise and extend the remarks she made on the floor of the House

in the RECORD. The request of the lady to revise and extend the remarks she made in committee is granted.

Mr. TREADWAY. I yield myself 3 minutes, Mr. Chairman.

I want to supplement what my colleague has just said about the emergency that is very apparent. It was so apparent that this morning, so I am reliably informed, at a press conference at the White House the President had before him two large volumes of evidence in relation to this matter of recent importations, particularly of textiles, from Japan; and that he also submitted a statement from the Secretary of State, who also recognized the emergency that existed, and the importance of taking up this subject immediately. At the close of the press conference the President lifted those two large volumes and said, "These volumes are being now referred to the Tariff Commission with the request that they immediately investigate the subject."

So that I feel, and I am sure my colleagues from New England and all sections of the country feel, that the President of the United States himself now recognizes the great necessity of prompt and immediate action along the lines that have been discussed here in the last few days in connection with the textile conditions; and the large increase of importations from certain countries at the present time.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. JENKINS of Ohio. The pottery people are finding themselves in the same relative position as the textile industry at this time.

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, I wish to supplement the remarks just made by the gentlewoman from Massachusetts [Mrs. ROGERS] by again stating that the price is affected, very materially, by even a small surplus of these goods from Japan. We must recognize that. I repeat what I said the other day: It has a murderous effect on the whole price structure. If one-half of 1 percent is considered so small, why is it so important to Japan to have it? What great effect or harm would an embargo on such a little amount have on Japan? Why should she object to limitation, or even to embargo? We have heard much about the "forgotten man." Today our people in New England are beginning to believe that it is the "forgotten land." I wish that, instead of receiving letters and petitions, the President and Secretary Wallace might be taken to our piers and see the great freighters bound for Argentina, carrying away 1,500 tons of our finest textile machinery. Do you wonder that the appeal is very strong at the present? Do you wonder that we New Englanders feel we are being discriminated against? I reiterate, if this is so small an amount of import, why is it so important to Japan to have this market for it? The effect is disastrous enough on our own market.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. CARTER].

Mr. CARTER. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include therein certain tax tables.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. CARTER. Mr. Chairman, this is one of the most important measures the House of Representatives has had under consideration for many, many months. My only regret in reference to this matter is that this bill was not brought in under a rule similar to that providing for the consideration of the so-called "bonus bill" that we might have a fair and square vote on a number of these proposals.

Mr. COX. Mr. Chairman, will the gentleman yield at this point?

Mr. CARTER. Mr. Chairman, I regret that I must decline to yield, for I have but a few minutes.

This bill, however, has some good features; it is the work of many months. The President's social-security committee worked on it for weeks and weeks; the membership of the Ways and Means Committee did likewise, and they brought in a bill, not perfect, by any means, but a bill that is the

result of their strenuous labors. I agree with my colleague the gentleman from California [Mr. GEARHART] in reference to the old-age pension feature of this bill, for I think it is most inadequate and heartless in this respect. Other bills have been presented on this same subject. Some of them have been criticized because they have been changed from time to time. I have no doubt that the Chairman of the Ways and Means Committee will offer certain amendments to this bill, discovering that changes are necessary in the bill; and when we take into consideration that the Ways and Means Committee had the best talent it could employ to assist in drafting this bill, is it any wonder it has been found necessary from time to time to change considerably some of these other measures? Why criticize and sneer at them because they have been improved? I want briefly to call attention to some of the provisions of the McGroarty bill. In the first place, it is a bill which provides a transaction tax and a slight increase in gift, inheritance, and income taxes for paying the pensions therein provided. It is not necessary to issue bonds to pay the pensions under this bill. It is not necessary to call on the credit of the Government in any manner because, even though the transactions tax and other taxes therein proposed should not provide the amount hoped for, whatever is produced, after the expenses of administration have been taken out, will be prorated and devoted to the payment of pensions. It pays its way as it goes, which is a very commendable feature.

This is a machine age. More and more of our people are being put out of employment by reason of the perfecting of machinery, and I suggest to those here this afternoon that more and more people are going to be put out of employment in the future by reason of the inventive genius of the American people. What are we going to do with these people made idle through no fault of their own?

An answer to this problem is found in the bill submitted by my colleague from California. We have heard, of course, about the shortening of hours of labor. This must be done, and I am for it, but this in itself is not a solution of the problem. In this bill presented by the gentleman from California, we have the proposal that the older persons shall be taken out of gainful employment. I say to you that just as sure as we are here this afternoon we are going to establish that principle in this country. If it is not done through the adoption of this bill, we shall be forced to do it through the adoption of a bill carrying a similar principle.

What else does this bill provide? It provides, also, that the money received as annuities shall be spent within a certain time. I am not an expert on money matters, but I have listened to many men who were rated as experts, and almost without exception they have said that one of the very important things in relation to financial transactions is the velocity with which the circulating medium of the country passes from hand to hand. We can appreciate, of course, that although we had some power of doubling the amount of the circulating medium if it were not put into circulation it would be of absolutely no benefit to the people of this country. Therefore this provision for increasing the velocity of the circulating medium is very much to be desired.

The bill also provides that no person who is a beneficiary under its terms can maintain any able-bodied person in idleness or employ anybody at an unreasonable salary.

The gentleman from Wisconsin, in speaking on the floor of the House a day or two ago, offered another objection to the effect that a large manufacturing concern controlling its own sources of raw material and all the intervening steps and processes which turn the raw material into the finished product would have advantage over another concern which had to buy its raw materials on the open market and have certain operations performed by others, because of the transaction tax provided for in the bill. The gentleman from Oregon [Mr. MORR], if I remember correctly, interrupted him to say that he was offering an amendment that would cure that particular situation.

This bill, of course, is not perfect. I have been a Member of this body a good number of years and I cannot recall that any bill was ever brought in here that was perfect, or that any bill was ever brought in here that could not be criticized in

some manner. My only hope is that we shall have an opportunity of expressing ourselves on this measure before the final disposition of the bill under consideration.

The taxes collected under this act are deposited in the Treasury of the United States in a separate fund known as the "United States citizens' retirement annuity fund." This money will be collected for a period of 4 months before any payments are made. On the 1st day of the fifth month after the collections are started annuities will be paid out of the money collected the first month to all those who have qualified. In order to qualify a person must first be an American citizen and over the age of 60 years. The annuitant shall not engage in any gainful pursuit and shall further covenant and agree to spend the monthly annuity within 35 days after the receipt of the same.

To prevent the establishing of another bureau, the author of the bill has very wisely provided that the Administrator of Veterans' Affairs shall have charge of the administrative features of this bill. He is given authority to make certain rules and regulations that are necessary for administering the act.

There has been a great deal of argument as to the working of the transactions tax.

In some European countries where a turn-over or transaction tax has been used the tax has been levied upon only the profit involved in the transaction and not upon the dollar value of the transaction.

Careful study and estimates show that a 2-percent transaction tax levied upon the dollar value of the transaction may be expected to result in an increase of about 8 percent to 12 percent in retail prices.

It is obvious that the retirement of millions of citizens over the age of 60 who are now employed and the increased business caused by the spending of the annuities by them, and also by the spending of those younger people who would take the jobs vacated by the retirement of the citizens over the age of 60, will greatly increase business activity. This will result very quickly in a higher level of wages and salaries, to such an extent as to more than offset and to justify any slight price increase resulting from the taxes involved in, and the operation of, this plan.

There is a distinct and important difference in the results to be obtained from a transaction tax as compared with a retail sales tax.

For illustration, note the following:

(a) A retail sales tax does not reach many very large transactions, which do not enter into any retail sales.

(b) Because of the very great variation in the amount and character of materials and labor involved in the production of articles for the retail trade, a flat rate of 2 percent on each transaction of such production will more equitably distribute the tax load than a flat rate of tax based upon the retail sale price of the product. Even by using a great multiplicity of adjusted retail-sales-tax rates, which is utterly impracticable, no such equitable taxation could be effected to compare favorably with the transaction-tax results.

Hence this form of tax makes the best possible spread of the tax load in an equitable manner and does in fact impose the tax upon those who have the ability to pay the tax in proportion to the size and extent of their transactions.

The tables set out below clearly illustrate the operation and effect of this 2-percent transaction tax—liberal profit margin has been allowed:

Wheat converted to bread
[For 1,000 bushels of wheat at \$1 per bushel paid to farmer]

Transaction	Sale price	Sale amount	2 percent tax
Wheat sold:			
By farmer.....	\$1.00	\$1,000	\$20
By buyer.....	1.10	1,100	22
Flour sold:			
By miller to jobber.....	1.20	1,200	24
By jobber to store.....	1.30	1,300	26
By store to baker.....	1.50	1,500	30
Baker to consumer—on the basis that 1 bushel of wheat produces one 48-pound sack of flour, and this flour produces 72,000 one-pound loaves which retail for 10 cents per loaf.....		7,200	144
Total.....		13,300	\$266

This total of the 2-percent tax of \$266 is derived from six transactions. If it were all added into the retail sale price of the bread, the tax load would be 0.0037 cent per loaf of bread. A retail sales tax of 3.7 percent of the total retail sales dollar value of \$7,200 would be required to produce this same tax revenue of \$266.

For coal to the retail consumer
[For 1 ton of coal]

Transaction	Sale price per ton	2 percent tax
Producer pays the miner.....	\$1.50	\$0.03
Jobber pays producer.....	5.50	.11
Railroad charges freight.....	3.00	.06
Retailer pays jobber.....	9.00	.18
Retailer pays drayage.....	1.00	.02
Consumer pays retailer.....	12.00	.24
Total.....	32.00	.64

This total of the 2-percent tax of 64 cents is derived from six transactions. If it were all added into the retail sale price of the coal, the tax load would be 64 cents per ton. A retail sales tax of 5.4 percent of the retail sales dollar value of \$12 would be required to produce this same tax revenue of 64 cents.

This variation in the amount of the retail sales tax rate—3.7 percent for the wheat and 5.4 percent for the coal, as shown by the foregoing tables, for the amount required to collect the same revenue as would be collected by the transaction 2-percent tax, illustrates the variation to be expected as to all other commodities.

The transaction tax method broadens or widens the tax base to include all of the transactions, and various factors tend to compel absorption of the tax by the producer and the middleman in a manner to relieve the consumer of all, or at least a major part, of the tax load at the time of the retail sale.

[Here the gavel fell.]

Mr. TREADWAY. I yield the gentleman 2 additional minutes.

Mr. CARTER. Mr. Chairman, there may be some other piece of legislation that has for its object the taking of the people 60 years of age and over off the labor market that is now pending before this Congress, but I am not aware of any such legislation.

I want to suggest to each and every Member of this body in closing that the bill presented by my colleague the gentleman from California, with the amendments that have been suggested, is worthy of the consideration and support of each and every one of us here. I trust that before we come to a final vote on this matter you will peruse this bill and that we may have your support for this most worthy measure. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Chairman, I have listened to so many fine and illuminating talks on the matter now under consideration that it is with considerable hesitancy that I undertake to say anything at all. I have not a prepared speech, but I do want to comment upon a few things which have come to my mind during the time I have been here on the floor of the House.

May I suggest first to my good friends across the aisle that you do not have a monopoly on all of the humanitarianism in this land of ours. Those of us who sit on this side of the aisle believe that our party, with which we are glad to affiliate, was born out of a spirit of humanitarianism that has not been surpassed by any like spirit in subsequent time. We believe that our party throughout all of its history, and today, stands for human rights as well as property rights. I believe I can say to every Member of this House and to all of our people that, insofar as legislation for old-age pensions and social security is an evidence of an advancing civilization and humanitarianism, the gentlemen on my side of the aisle stand with it and for it. [Applause.]

Mr. Chairman, I have heard much of this talk of human rights as against property rights. The accusation is made

against the gentleman from New Jersey [Mr. EATON], as fine a gentleman as sits on the floor of this House, that he is contending for property rights against human rights, which, of course, is not a correct interpretation of his remarks. Then I hear the gentleman from Massachusetts [Mr. McCORMACK] talking about secondary policies of government in promoting the welfare of the people. There is no difference between the gentleman from New Jersey [Mr. EATON] and the gentleman from Massachusetts [Mr. McCORMACK] in their fundamental beliefs.

The gentleman from Massachusetts [Mr. McCORMACK] says that these benefits must spring from business and industry, and those people who are producing the wealth. The gentleman from New Jersey believes that, too, and I believe it. The only thing that we are asking is, let us make it possible for those producing classes, business and industry, to so operate that the older people of this land, the unfortunates and the dependents, may be given security and a comfortable living.

Mr. Chairman, we have come a long way in this Nation since its birth about 150 years ago. In those early days if a man was unfortunate and became old without having accumulated something to take care of himself, or if he became sick or was injured, he was indeed in a desperate plight. No one took care of him. As we have come down through time our Government has been going into that secondary field of governmental activity, providing a greater measure of security for its people. I stand for such a policy if reasonably pursued, and I want to say here and now that I am for old-age pensions, as liberal as shall be in keeping with economic recovery.

It has been suggested here that the need for an old-age pension has been occasioned by the use of machinery. Do you know my view about that matter? My view is, if we did not have machinery, factories, plants, and equipment, we could not have an old-age pension. Why do I make that statement? I say that by the use of equipment and machinery the younger people of this land are able to produce enough of this world's goods to take care of the deserving older people in security and in comfort. I do not know that we should say that it is the burden of industry and business. I think it is the burden, maybe not the burden, but the privilege, of all of our people, to see to it that the older people when they get to that period in life where they are no longer able to go out and get employment and who have not been able to accumulate an estate, may live in security, peace, and comfort in this great land of ours, a land of plenty.

Mr. Chairman, there are titles in this bill about which I am not sure. It may be a fine thing, in principle, to require the setting up of annuities and to require the building up of reserve funds to take care of unemployment, because we may always have some measure of unemployment. If history repeats itself we will have recurring cycles of ups and downs. I am led to inquire if maybe we are not a little like the man who lived in the house with a leaky roof: When the sun was shining he did not need to fix the roof, and when it was raining it was an awful job to try to fix it. In other words, by these other titles in this bill, which are separate and apart from the old-age-pension feature, the care of dependent children, maternal care, and those things, we are going to say to the working people and to industry, but primarily to the working people, "When you have a job we are going to take so much out of your wages to build up a fund to take care of you when you get old or to take care of you when you do not have your job." Possibly, in view of the fact that it is raining today, we ought to try to fix that roof, because we can see the necessity for it. In connection with that, however, let me drop just this one word of caution. The crying need of the immediate present in this land is economic recovery. I trust that those of us who have charge of the policies of this Government will not go too far afield in the matter of social experimentation or social reforms and so hamper business and industry that we cannot have economic recovery.

It is my honest and steadfast belief that if we could tomorrow put every man who wants a job into a job and give him

employment by giving him a legitimate job in legitimate industry and getting him off of the Government pay roll or off of the relief roll, the specter of most of our other troubles would quickly vanish.

I want to reiterate that I favor the principle of old-age pensions and I will work for and support an adequate and reasonable plan.

My good friend the gentleman from California [Mr. McGROARTY], for whom I have developed a fond and sincere affection, is here advocating a plan which has been greatly modified since its introduction, and which we are told will be further modified. I do not know how far Congress will go in providing old-age pensions. Probably it will not make a lot of difference how I vote on it, because if history repeats itself there will be enough votes over there to put it one way or the other and we can vote yea or nay and it will not make a lot of difference. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. WELCH].

Mr. WELCH. Mr. Chairman, while the old-age-pension provisions of the social-security bill are totally inadequate, other provisions of the measure are meritorious. For example, title IV, granting aid to dependent children; title V, granting aid to State services relating to maternal and child welfare, the care of crippled children, and vocational rehabilitation, are so humanitarian in their purpose that the present administration is to be commended in this regard for bringing before Congress legislation which creates a new era in humanitarian legislative principles. The bill should be amended to include the provisions of the revised McGroarty bill, for I believe it will give far more adequate security to our aged. I welcome the opportunity to support this humanitarian legislation, and if there is no alternative I shall vote for the present bill with its old-age pension provisions, because I believe in the principle involved.

As reported by the Ways and Means Committee, individual and separate action must be taken by the legislatures of 48 States, and Congress itself must take further action to provide old-age pensions for the District of Columbia. Before the bill is finally passed by both the Senate and the House fully one-half of the State legislatures will have adjourned, many of them not to meet again in regular session for 2 and, in some instances, 3 years.

In the second place, the very fact that action is required in each State does not insure equality of security for our elder citizens. Every one of the States may set up different requirements within certain general limits outlined in this measure, which requirements may bring about so much confusion as to make proper national administration of the law almost futile.

The third fundamental weakness in this bill as reported, as I see it, is that it does not set forth a definite and precise method for uniform payment of old-age pensions. Its very vagueness spells insecurity.

Ever since I have been a Member of this body I have urged that legislation be passed to guarantee security in old age. During the last two Congresses the Committee on Labor, of which I am a member, has reported favorably on bills providing old-age pensions. But the House has failed to act upon them, although the majority of us probably believed at that time that it was the proper thing to do.

The revised McGroarty bill, H. R. 7514, on the other hand, while undoubtedly having some weaknesses, is more certain of relief than that offered in the present bill. It places the responsibility squarely where it belongs—on the shoulders of the Federal Government. It provides a more certain and uniform security for every aged citizen. It provides for the payment of these pensions immediately—now, when they are needed, not 2 or 3 years hence, when many of these citizens will have passed to the Great Beyond.

There can be no just criticism of government for the enactment of this type of legislation. It is truly among the most humanitarian types of legislation man can evolve, and it should not be made a political football. [Applause.]

I have stated that this is a responsibility properly resting upon the Federal Government. Our economic structure is

today national in scope. Our economic problems and depressions are consequently national in scope. The tendency toward great chain organizations removing the wealth of local communities to large financial centers is already well recognized. The handicap thus placed upon individual communities and States in problems of taxation have been great. Many States have had commissions studying these tax problems for years. If the Federal Government is to permit such conditions to continue, it must, for the safeguarding of its own interests, recognize and assume the responsibilities that necessarily follow. This principal is already well predated in our Federal public-health laws and administration. We no longer expect a local community to alone suppress an epidemic. Physicians, nurses, and experts of the Federal Government step in because it is recognized that its continuance may be a national calamity. The conditions that have been forced upon thrifty and deserving American citizens by the national economic calamity through which we have been passing is likewise a national problem and national responsibility.

Another factor of major importance in making this a Federal problem is the terrific trend toward the mechanization of all industry. The inventive genius of America has been turned to this with renewed vigor during the years of the depression. Machinery requires youth for its operation. Formerly men had not spent their usefulness before reaching the age of 60. Today, no large employer of labor, including the United States Government itself, will employ men and women who have even reached 45 or 50. With thousands who had provided for their old age having their savings exhausted by the conditions of the past few years, the permanent unemployed in the older age groups will continue with us. It is within the power of Congress to wipe out in large measure the tragedy being wrought in their lives.

I sincerely hope that every Member of this House will give careful and thoughtful study to the revised McGroarty bill. We should not be prejudiced against it by hearsay information. We should know its content and understand it.

Whether the revised McGroarty bill, as approved by Dr. Townsend, is substituted for the old-age-pension section of the social-security bill or not, I desire to take this opportunity to point out the deserving credit due Dr. Townsend and the proponents of the McGroarty bill for their success in making us nationally conscious of this responsibility. We should, as representatives of the people, give to all American citizens social and economic security in their declining years. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. FOCHT].

Mr. FOCHT. Mr. Chairman, I ask unanimous consent to extend my remarks and include a letter that has a direct bearing on my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The letter follows:

ALLENWOOD, PA., April 12, 1935.

Hon. B. K. FOCHT,

House of Representatives, Washington, D. C.

DEAR MR. FOCHT: I am enclosing a tag taken from a bag of cottonseed meal, purchased at our local feed store here in Allenwood. Positive proof that Pennsylvania farmers are using cattle food raised in China, and processed in and imported from Japan.

What are we coming to? Are the people who are responsible for the policies which permit such things to happen mad? Perhaps they are just plain fools.

In regard to the hog-processing tax. In my humble judgment it should be dropped at once. Pork has become so high that the ordinary consumer cannot afford to buy it. They are turning to substitutes. If the 2½ cents a pound tax was knocked off, it would help. Let us drop all this complicated jumble, and return to common sense and America for Americans.

I have copied the following from the tag which was on a recent shipment of "cottonseed meal" received here in Allenwood, Union County, Pa.

"100 lbs. net.

"Cottonseed meal manufactured only from Chinese cottonseed in Japan. Imported by Ashcraft-Wilkinson Co., Atlanta, Ga.

"Guaranteed analysis:

"Protein, minimum 36 percent; fat, minimum, 4½ percent; fiber, maximum 16 percent; nitrogen free; extract, minimum 25 percent. Paramount Brand."

With best regards, I am, respectfully yours,

C. V. MICHENER.

Mr. FOCHT. Mr. Chairman, ladies and gentlemen of the Committee, we were all deeply impressed by the impassioned speech of the gentleman from Massachusetts [Mr. McCORMACK].

I hesitate to mention it, but it so happens that 20 years ago I delivered an address on the floor of this House advocating an old-age-pension law. One year later I introduced a bill for that purpose. Both of these instances are a part of the records of the House.

Civil government is made necessary for self-defense and for the control of the conduct of our citizens.

Now, my friends, there is one thing about this if we understand it, and we do have a perfect understanding that something is going to pass in the shape of an old-age pension. I, of course, will vote for it, but like some others here, I am constrained to call attention to one important and essential thing.

Since the matter has been practically settled by voices expressed here on the floor that the bill will pass, the question then arises—and that seems to voice the same thing the gentleman from Massachusetts [Mr. McCORMACK] spoke of—this is not a political question but a humanitarian and economic one, in fact, something closer and akin to the religious or spiritual.

You have heard of the invasion of New England by Japan with some of her products. They have come to my district where they have a rayon works which has employed 7,000 people. These foreign goods have virtually closed that factory, and the employees are walking the streets.

[Here the gavel fell.]

Mr. FOCHT. Can I have a little more time?

Mr. TREADWAY. I can give the gentleman 1 minute more, but I will have to take it out of someone else's time.

Mr. FOCHT. I had rather give 10 minutes to somebody else than to take any of their time. I will say that I tried to get time, but I have been treated discourteously in regard to it.

Mr. TREADWAY. I object to that statement. I have not treated the gentleman discourteously, and I do not propose to stand for it.

Mr. FOCHT. I have tried to get time and I have been denied it.

Mr. VINSON of Kentucky. Mr. Chairman, a point of order. This is a security bill. [Laughter.]

Mr. TREADWAY. We will take care of things on this side, and you take care of things on your side.

Mr. FOCHT. We now have an invasion of my home county of Union, in Pennsylvania, by the Chinese, which is quite as bad as the rayon importations into this country. Under a tariff duty of three-tenths of 1 percent, cottonseed meal stock feed to the extent of 44,890,000 pounds was imported in 1934 into the United States. Some of this cottonseed meal reached Allenwood, which coincidentally is the only township in Union County that went Democratic in 1934. It was billed through a firm in Atlanta, Ga. We will reserve for another time, when we are given better opportunity to discuss the matter of imports from Japan, of bleached cotton cloth, which has increased from 3,960 square yards in January 1934 to 4,347,739 square yards in February 1935.

Mr. TREADWAY. I yield 3 minutes to the gentleman from Pennsylvania [Mrs. RICH].

Mr. RICH. Mr. Chairman, when the gentleman from Massachusetts [Mr. McCORMACK] was speaking this afternoon I admired the spirit in which he tried to speak of this social-security bill. It was not a purpose of mine in any way to speak of the bill as a political bill, but I felt it my duty because of the fact that the Democratic Party is in power to call their attention to the promises they have made to the American people, to the platform they have adopted, which was a covenant with the people, which they promised to carry

to completion, and which the President of the United States said that he would carry out 100 percent, and which promises have not been fulfilled. It is a question of misplaced trust by the Democratic Party. I believe this country today is best operated by two major parties, and it is necessary for the party in power to carry out those principles and promises inculcated in its platform, and which it has promised to the American people. Why should not the Democratic Party carry out its platform to the letter rather than do the opposite from what it promises?

Then I call the attention of the House to the fact that the Speaker, Mr. BYRNS, yesterday said he thought we could reduce taxation on small industry. I also call attention to the remarks made by Mr. SAMUEL B. HILL in referring to the fact that the Budget is practically in balance. Not so, according to Government Treasury statements. I say to the Democratic Party, Where are you going to get the money for these exorbitant expenses? Where are you going to get the money to balance the Budget? I say to you and to Members of this Congress that if you do not recognize that fact and assume your responsibility in trying to balance the Budget you are going to find out that instead of assisting these people to receive old-age pensions you will not only cause them to have greater misery and suffering but you will wreck this country. I tell you again it is your duty and responsibility to balance this Budget, and when the gentleman from Washington (Mr. SAMUEL B. HILL) says we are about balancing the Budget, I say to you that if this Budget is balanced at the end of this year I shall ask this small minority of Republicans to give you, our Democratic colleagues, the best banquet that can be had in any banquet hall in Washington, and we will permit you to write your own menu, and all this we will do if you will only balance the Budget. We would do it if we were in power. This is your responsibility. Assume it. Do it now before it is too late.

The President ran New York State into the greatest debt of its history, and he has already accomplished the same feat for the country. Will you let him continue this orgy of ruthless spending?

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. TREADWAY. Mr. Chairman, I yield now to the gentleman from Oregon (Mr. MORR).

Mr. MOTT. Mr. Chairman, since the revised McGroarty bill, H. R. 7154, was introduced on April 1, a number of clarifying and perfecting amendments, some of them of considerable importance, have been made to it. Several gentlemen, including myself, desire to discuss that bill when it is offered under the 5-minute rule tomorrow. In order that all Members may have an opportunity to read the bill with the amendments, in the form in which it will be offered as a substitute for the old-age pension provisions of the administration bill, I ask unanimous consent to extend my remarks in the Record by including therein at this point the text of the revised McGroarty bill, with the amendments.

The CHAIRMAN. Is there objection?

There was no objection.

The bill, with amendments, is as follows:

[74th Cong., 1st sess.]

H. R. 7154

In the House of Representatives

Mr. MCGROARTY introduced the following bill, which was referred to the Committee on Ways and Means and ordered to be printed

[Omit part enclosed in brackets and insert part printed in italics] A bill to provide for the general welfare of the United States by supplying to the people a more liberal distribution and increase of purchasing power, retiring certain citizens from active gainful employment, improving and stabilizing gainful employment for other citizens, stimulating agricultural and industrial production and general business, and alleviating the hazards and insecurity of old age; to provide a method whereby citizens shall contribute to [the purchase of] and receive a retirement annuity; and for the raising of the necessary revenue to operate a continuing plan therefor; and to provide for the proper administration of this act; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled—

DEFINITIONS

SECTION 1. The term "transaction" for the purposes of this act shall be defined so as to include the sale, transfer, barter, and/or

exchange of either or both real or personal property, including any right, interest, easement, or privilege of commercial value therein or related thereto, whether actually made at the time or only then agreed to be made and whether under executed or executory contract or otherwise; also including all charges for interest, rent commissions, fees, and any other pecuniary benefit of any kind directly or indirectly derived from or for any loan, deposit, rental, lease, pledge, or any other use or forbearance of money or property; and also including the rendering or performance of any service for monetary or other commercially valuable consideration, whether by a person or otherwise, including all personal service, also transportation by any means, and telephone, telegraph, radio, amusement, recreation, education, art, advertising, any public utility, any water rights, and/or any and all other service of any and every kind whatsoever, but excepting and excluding therefrom any single isolated transfer of property of fair value less than \$100, or any other isolated transaction of the fair value of \$50 or less, which does not arise or occur in the usual course of an established [commercial] business, trade, or profession, and excluding any loan, deposit, withdrawal from deposit, hypothecation, or pledge of property or money.

The word "person" shall include any corporation, firm, copartnership, or association.

The term "transfer" for the purposes of this act shall be defined to mean the passing of property, real or personal, or the title ownership or beneficial interest therein, from one person to another, and also includes the rendition of service in connection with the transfer.

A purchase obligation is not a loan under this act.

Barter and/or exchange is defined as a plurality of transactions to the extent of the fair value of the property and/or service transferred or rendered other than money.

The term "income" for the purposes of this act shall be defined so as to include the gross amount of any and all money or its equivalent received from or for any service performed or from or for any proceeds or profit from any transaction, inheritance, or gift whatsoever.

The term "net income" for the purposes of this act shall be defined so as to include all money and/or commercially valuable benefit or its equivalent actually received by the annuitant, after deducting only such charges and expenses as are directly incident to producing such net income.

The term "gainful pursuit" for the purposes of this act shall be defined so as to include any occupation, profession, business, calling, or vocation, or any combination thereof, performed for monetary or other commercially valuable consideration, remuneration, or profit.

The term "annuity" and/or "annuities" for the purposes of this act shall be defined so as to include the various sums and/or amount of money distributed and paid pro rata and otherwise to the various persons who shall become and be the beneficiaries under this act.

The term "executory contract" for the purposes of this act shall be defined so as to include any and all conditional sale agreements and contracts, and all other agreements and contracts the completion of which is or may be delayed to sometime subsequent to the time of making thereof.

The term "gross dollar value" for the purposes of this act shall be defined so as to include the sum representing the total fair value of the entire property or service transferred or proposed to be transferred, without deducting any amount of encumbrance or offset of any kind, except a mortgage encumbrance of record upon real property.

TAXES AND COLLECTION THEREOF

SEC. 2. (a) There is hereby levied a tax of 2 percent upon the fair gross dollar value of each transaction done within the United States and Territories; also, in addition to all other taxes, a tax equal to one-tenth of the tax levied upon all incomes under the provisions of the Revenue Act of 1934 or any amendment thereto; also, in addition to all other taxes, a tax of 2 percent upon the fair dollar value of all transfers of property by devise, bequest, or other testamentary disposition or legal descent and distribution of property, as now are or hereafter may be taxable under the [provisions of the Revenue Act of 1934 or any amendment thereto;] laws of the United States; and also, in addition to all other taxes, a tax of 2 percent upon the fair gross dollar value of every gift in excess of the fair value of \$500: *Provided, That said taxes shall not be levied upon such transactions involving the issuance, sale, or transfer of Federal, State, or municipal bonds or other securities as would be otherwise exempt from Federal taxation under existing law, and shall not be levied upon any transaction done by the Federal or by a State or municipal Government which would be otherwise exempt from Federal taxation under existing law.*

(b) Except as hereinafter otherwise provided, all tax returns for the taxes imposed by this act shall be made by, and the tax shall be paid by, the grantor, vendor, lessor, and/or legal representative thereof, and by the legal entity by whom the service is furnished, for each and every transfer of property and/or rendition or performance of service, and for all transactions arising under executory contract the return shall be made and the tax shall be paid as of the date such executory contract is entered into, regardless of the time of the completion thereof: *Provided, That in every case of compensation for personal service other than for professional service, the person or legal entity by whom such payment is made shall deduct the amount of the tax and withhold it out of such compensation and shall make the return and the payment of the tax for such cases in lieu of the return and payment by the person who performed the service.*

(c) All taxes imposed by this act shall be deemed levied and shall become payable upon all taxable transactions beginning and occurring on and after 30 days after this act takes effect.

(d) Every return of taxes, together with the payment of the taxes, as required by this act, shall be made to the collector of internal revenue of the United States, or to such other person as may be designated by rules and regulations issued under this act, for the district from which such return is made, as of the end of each calendar month during which such taxes become fixed and chargeable, and shall be delivered and paid to said collector of internal revenue or other person not later than 10 days after the expiration of the calendar month for which such return is made.

(e) The Secretary of the Treasury shall enforce the payment of the taxes required by this act to be paid, and shall promptly deposit in the United States Treasury all funds received by him through or from the collection of such taxes, all as required by rules and regulations to be issued and promulgated by the Secretary of the Treasury of the United States.

(f) Within the limitations of sections 1 and 2 of this act the Secretary of the Treasury shall by rules and regulations prescribe what shall constitute a taxable transaction within the meaning of this act, in any particular case, and may determine and prescribe the number of transactions to be taxed in the course of the production, distribution, and sale of any article or commodity. He shall also create and maintain a Board of Review which shall have jurisdiction to hear and determine any claim arising out of the administration of sections 1 and 2 of this act, upon the part of anyone paying or liable for the payment of any of the taxes imposed herein. Said board shall consist of not more than five members who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive a salary to be fixed by the President, not exceeding \$10,000 per year. The decisions of said board shall be subject to appeal to the District Court of the United States of the district where the claim arises, in the manner prescribed by law for appeals in income-tax matters.

In making the rules and regulations herein provided for the Secretary of the Treasury shall be governed by the following basic rules, which are hereby declared to be the policy of the United States with regard to the levy and collection of said taxes:

(1) Where the transaction involves the physical transfer of property, or the ownership, title of beneficial interest therein, the tax shall be levied upon the gross dollar value of the property so transferred; except that in the transfer of real property under a contract of purchase, purchase-money mortgage, or other purchase obligation the tax shall be levied and collected upon the amounts paid under such obligation as and when the same are paid.

(2) Where the transaction consists of the rendition of service only in connection with the transfer the tax shall be levied and collected upon the gross dollar value of the service rendered.

(3) The gross dollar value in either case shall be the price actually charged for the property or service, unless it shall appear to the Secretary of the Treasury that such price is obviously inconsistent with the fair value thereof, in which case the Secretary of the Treasury shall determine the fair value and levy the tax thereon accordingly.

(4) A transaction done by a broker, commission merchant, carrier, bailee for hire, or warehouseman in the ordinary course of his business as such in connection with personal property, shall be deemed to be a service transaction.

(5) Where several transactions are done in the course of the production, manufacture, distribution, and sale of personal property and/or service rendered in connection therewith, all of such transactions, if otherwise taxable hereunder, shall be taxable whether said transactions are done in whole or in part by, within, or under the control of a single person, firm, corporation, copartnership, or association, or whether they be done in whole or in part by separate persons, firms, corporations, copartnerships, or associations; the purpose of this clause being to prevent avoidance by larger business firms and combinations of payment of the same tax for which smaller or independent businesses would ordinarily be liable under this act.

(6) Where articles are manufactured in whole or in part by the process of assembling together such component parts thereof as are ordinarily purchased from other manufacturers, such, for example, as automobiles, machinery, furniture, and so forth, the transaction tax herein provided shall be levied upon the gross dollar value of such component parts regardless of whether the same were made by the manufacturer of the assembled or completed article or whether they were purchased by such manufacturer from another, and where the manufacturer of an article upon which a transaction tax is payable hereunder is the producer of the raw material or other material from which said article in whole or in part is made, then the transaction tax upon such material, if the same has not been paid and would be otherwise taxable hereunder, shall be paid by such manufacturer.

(7) Every person engaged in the sale of goods at retail shall be deemed for the purposes of this act to be an independent operator and not the agent or employee of any producer, manufacturer, wholesaler, or distributor of such goods.

A SEPARATE FUND

SEC. 3. There is hereby created in the Treasury Department of the United States a fund to be known and administered as the "United States citizens' retirement annuity fund." All revenue derived from the taxes levied in and under this act shall be de-

posited by the Secretary of the Treasury in this United States citizens' retirement annuity fund, and shall be disbursed only for the payments of the sums expressly authorized by this act to be paid therefrom, and for no other purposes.

ONLY UNITED STATES CITIZENS ARE ELIGIBLE

SEC. 4 (a) Every citizen of the United States 60 years of age and over, or who shall attain the age of 60 years after the passage of this act, shall be entitled to receive upon filing application and qualifying as hereinafter provided an annuity payable monthly during the life of the annuitant, in a sum to be determined as hereinafter provided in this act.

(b) The right of any person to receive an annuity under this act shall date from and begin on the date of proper filing of an application therefor, when and if such application is supported by proper and sufficient proofs in compliance with rules and regulations issued pursuant to the provisions of this act, but subject to the limitations upon time and manner of payment as hereinafter provided by this act. In such application the applicant shall disclose the nature and extent of any annual or monthly income then being received or due to be received by the applicant.

(c) The annuitant shall not engage in any gainful pursuit.

(d) The annuitant shall covenant and agree to expend, and shall spend, all of each month's annuity during the current calendar month in which it is received by the annuitant, or within [5 days] 1 month thereafter, within the United States of America or its Territorial possessions, in and for the purchase of any services and/or commodities, and/or a home or an equity in or lease of a home, or for the payment of any indebtedness lawfully arising for any such purchase: Provided, however, That the annuitant shall not directly or indirectly expend a total of more than 10 percent of any such monthly annuity for gifts or contributions to any person or to any public or private institutions, associations, or organizations.

(e) This annuity shall not be payable to any person who directly or indirectly receives from any source a net income of any kind or nature in excess of [\$2,400 per year] the amount of the annuity to which he would be otherwise entitled under this act.

(f) Any person otherwise qualified to receive an annuity hereunder and who at any time receives any net income of any kind or nature [not arising from personal services of such person and which in total amount is less than \$2,400 per year] shall promptly make full and complete disclosure in writing under oath, as required by rules to be issued under this act, fully disclosing the amount and source of any and all such income, and thereupon the pro rata monthly amount of any such annual income not arising under this act shall be prorated over the year and shall be deducted monthly from the monthly annuity payment to which such person under this act would otherwise be entitled, and the remainder shall be the annuity of such annuitant payable under this act: Provided, however, That all of the income of any such annuitant, whether arising under this act or otherwise, shall be expended as required for annuity paid under the provisions of this act.

ADMINISTRATION PROVISIONS

SEC. 5. (a) The Administrator of Veterans' Affairs shall create and maintain boards of review within the several States as he may deem necessary to carry out the provisions and purposes of this act, and he shall issue and promulgate and enforce proper and suitable rules and regulations governing the manner and place of registration by applicants for the annuities provided for under this act, and the method of identification of and registration by such annuitants, also to require and secure the proper spending of the annuity money by the annuitant as required by this act, and adequate and sufficient accounting thereof, and such other rules and regulations as he may deem necessary, all in accordance with the intent and purposes of this act; and he shall cause to be paid at regular monthly intervals, to each person who lawfully qualifies to receive annuities under this act, such amount as shall become due the respective annuitants lawfully qualifying under this act.

(b) Proper and suitable boards shall be established by the Administrator of Veterans' Affairs, within each State as he shall deem necessary, such boards as have exclusive jurisdiction to hear and determine all issues arising under this act, subject to rules and regulations issued and promulgated under this act, concerning annuitants residing within the jurisdiction of the boards, respectively, but subject to the right of either party to have the decision of any such board reviewed by the State court having general jurisdiction over the area in which that board is situated.

APPORTIONMENT AND DISTRIBUTION OF FUNDS

SEC. 6. From and out of the proceeds of such taxes collected and accumulated under the provisions of this act, disposition and disbursements shall be made in the following manner and order, to wit:

(a) All proper and necessary expense of administering this act shall first be paid or provided for, and upon a monthly basis whenever practicable.

(b) A reserve fund shall at all times be maintained sufficient to protect and provide proper payment of any and all annuities the payment of which for any cause is deferred because of delay in approval of application for the annuity or otherwise.

(c) All other money available in any month or period, from or out of said tax collections or any undistributed residue thereof, as hereinafter referred to, shall be distributed and paid monthly, pro rata, except as hereinafter provided, to all qualified annuitants who are of record on the last day of the calendar month period or longer first period as hereinafter specified, during which the tax collections and/or residue are accumulated for distribution, in such amount

[not exceeding \$200 per month.] as may properly be paid from the funds accumulated during that period, and in the following manner, to wit:

(d) First. The total amount available for distribution shall be divided by the total number of the annuitants entitled to share therein, and except for cases where deduction is to be made as hereinafter referred to, the result shall be the pro rata annuity amount.

Second. The proper deductions provided for by section 4, paragraph (f), of this act shall then be made from the pro rata amount so determined, as to all persons who have any income not arising under this act as annuity.

Third. The amount so determined to be due each of the annuitants shall then be paid in manner and by method as follows, to wit:

(e) The total amount of the deductions made as provided in section 4, paragraph (f), of this act shall constitute a residue which shall be carried over into the next following month and be merged into and become a part of the fund available for that month for distribution to qualified annuitants as provided for in this act.

(f) All of the funds accumulated under this act during the period extending from the time this act goes into effect and to the end of the first full calendar month after this act takes effect and hereby designated as the "first period", shall be promptly paid for and as of the first day of the fifth full calendar month after this act takes effect, to such annuitants as are of record on the last day of such "first period" and as hereinafter provided for in section 6, paragraph (c), of this act.

(g) All of the funds accumulated under this act during the second full calendar month after this act takes effect, hereby designated the "second period", shall be promptly paid for and as of the first day of the sixth full calendar month after this act takes effect, to such annuitants as are of record on the last day of such "second period" and as hereinafter provided for in section 6, paragraph (c), of this act.

(h) Subsequent monthly payments to the annuitants shall be made by this same method, monthly, as follows:

Accumulation of third period to be paid on first day of seventh month.

Accumulation of the fourth period to be paid on first day of eighth month.

Accumulation of the fifth period to be paid on the 1st day of the ninth month, etc.

And continuing so long as any funds are available therefor under this act, to the annuitants identified monthly in accordance with section 6, paragraph (c), of this act.

RULES AND REGULATIONS

SEC. 7. All administrative details not specifically otherwise provided for in this act shall be governed by rules and regulations issued and promulgated by the Administrator of Veterans' Affairs.

APPROPRIATION FROM THE FUND

SEC. 8. The Secretary of the Treasury, upon demand by the Administrator of Veterans' Affairs, is hereby authorized and directed to pay from money or moneys available in said United States citizens' retirement annuity fund the money necessary to cover the monthly annuities as designated by said Administrator to be paid to qualified annuitants, and for other purposes, in a total amount as elsewhere provided in this act, but in any event not to exceed at any time the amount on deposit in said fund; and there is hereby authorized to be appropriated such sum or sums as may be necessary to establish and maintain this act, subject to reimbursement out of funds collected hereunder, pursuant to the provisions of this act.

PENSIONS NOT SUBJECT TO GARNISHMENT, ETC.

SEC. 9. Any annuity granted under this act, and the money proceeds thereof due or in the hands of the annuitant, shall be wholly exempt from attachment, garnishment, execution, levy, and/or any other judicial process.

DISQUALIFICATIONS

SEC. 10. No annuity shall be paid under this act to any person who is not at the time of payment domiciled within the United States or its territorial possessions.

SUSPENSION AND FORFEITURE

SEC. 11. The right of any person to receive an annuity under this act may be suspended and/or forfeited for any of the following causes:

(a) For engaging in any gainful pursuit.

(b) For violation of any of the provisions of this act.

(c) For unreasonable and unnecessary maintenance of any able-bodied person in idleness and/or for unreasonable and unnecessary employment of a person or persons or the payment to any person of any salary or wages or any other form of compensation in disproportion to the service rendered.

(d) For willful failure or refusal to obey any rule or regulation issued under this act.

(e) For willful refusal by any annuitant to pay any just obligation.

DELAY IN PAYMENT—REMEDY

SEC. 12. If in any case the payment of an annuity to any person is delayed to an extent which causes an accumulation of 2 months or more of annuities, then, and in that event, the expenditures by

the annuitant for the amount of any such accumulation shall be made upon the basis of 2 months for every month of such accumulation.

CERTAIN OFFENSES A FELONY—PENALTY

SEC. 13. It shall be a felony, and punishable as such, for any applicant for an annuity, or for any annuitant, or any person required by this act to make any return for the payment of any tax, to make any false statement, or to knowingly withhold any facts material to the proper administration of this act, with intent to defraud the United States, under a penalty of a fine of not more than \$1,000 or imprisonment for not more than 1 year, or both.

CONSTRUCTION OF THIS ACT

SEC. 14. If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act or the application of such provision to other persons or circumstances shall not be affected thereby.

Mr. TREADWAY. Mr. Chairman, I yield 4 minutes to the gentleman from New York [Mr. LORD].

Mr. LORD. Mr. Chairman, we have in the State of New York an old-age-pension system, and we have a pension system for widowed mothers and children and have just passed at this session of our legislature a bill to provide for unemployment insurance. We should have established insurance many years ago. I am so much interested in all of those subjects that at the beginning of this session I introduced an unemployment insurance bill. I think that my bill is better than the one before us, and I am in hopes, before this bill is considered finally, we may get a change in the bill along the lines of the bill which I introduced. My bill provides that the employer and the employed and the Federal Government shall share equally in the cost of the insurance. My reason is that a person who gets an annuity should have some part in the creation of that annuity. To get the most out of an annuity a person should help create it. I hope we may be able to amend the bill before the bill is passed.

One statement has been made to us here to the effect that the employer cannot afford to pay the expense. I think that is true. It will add a burden of 9 percent to all of the employers, but we must also consider the fact that the employer will pass that on; and my question is, Can the people at large afford to pay this added expense? There is a class of people who are not going to be protected, the farmer and domestic and various others, who do not come under the insurance. How is it going to look to them when some man loses his job and gets unemployment insurance, while his neighbor who has helped pay for that insurance does not get any relief whatever? That is what may happen in our rural communities, and that is what may happen to our domestics and farmers. They will contribute under this bill just as much toward creating an unemployment insurance fund as the man who receives the money. That is something to consider seriously—and this is why I contend that the employee should contribute an equal amount along with the employer.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. LORD. Yes.

Mr. VINSON of Kentucky. Under the New York State law are farmers included in the unemployment insurance?

Mr. LORD. No; the New York State bill is the same as the bill before us, and that is the bad part of it. I believe we should have a pension for our old people and one that is adequate, built up over a period of years. We should have security for women and children, and insurance for all unemployed. I hope that we can work out of this bill a just and adequate measure for all of the people, and one to be paid for by and for the benefit of all, including the farmer and domestic.

Mr. Chairman, I yield back the balance of my time.

Mr. TREADWAY. Mr. Chairman, I yield the balance of my time, 26 minutes, to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, the economic security bill now before us raises grave constitutional questions. More and more as the proposals of this administration are presented and the motives behind them are revealed, thoughtful citizens turn to the Supreme Court as the one

dependable instrumentality of Government to hold the rudder of the Constitution true.

Recent decisions of this great bulwark of liberty and justice have inspired new hope in the hearts and minds of those who believe in the principles of constitutional government.

Two comparatively recent and notable decisions of the Supreme Court ought to exert a restraining influence on the Congress as well as the executive branch of the Government. The economic security bill now before us is evidence that another attempt is to be made to evade constitutional limitations and invade the rights reserved to the States. This Congress, under irresponsible executive leadership, has already attempted to delegate its legislative power in violation of the Federal Constitution, and under the same leadership it has attempted to repudiate the promises of the Government to its citizens. The same leadership that has brought the stigma of repudiation upon this Congress may be satisfied to dismiss this ugly word by issuing a statement from the White House that "the President is gratified", but the responsibility for this injustice to the citizens of the Nation rests upon Congress.

The executive branch of the Government for the past 2 years has made a spineless rubber stamp of this legislative body, and it has done so to the humiliation of the self-respecting Members of Congress and to the detriment of the Nation.

It may require a more blistering rebuke from the Supreme Court and the pressure of an aroused and enraged public opinion to restrain this Congress from continuing to be the tool of those who would destroy the Constitution; but the time is not far distant when those who believe in constitutional government will speak with force and with finality.

There are times when I enjoy to turn back the pages of our history and examine the philosophy of those who framed the Constitution, and to compare it with the philosophy of the ardent advocates of the new deal who have all but destroyed it.

One of the framers of the Federal Constitution, in commenting on the advantages to be derived from having two branches of our National Legislature, made these interesting observations:

Each House will be cautious and careful and circumspect in those proceedings, which they know must undergo the strict and severe criticism of judges, whose inclination will lead them, and whose duty will enjoin them, not to leave a single blemish unnoticed or uncorrected.

Every bill will, in some one or more steps in its progress, undergo the keenest scrutiny. Its relations, whether near or remote, to the principles of freedom, jurisprudence, and the Constitution will be accurately examined; and its effects upon laws already existing will be maturely traced. In this manner rash measures, violent innovations, crude projects, and partial contrivances will be stifled in the attempt to bring them forth.

When the distinguished statesman and jurist made this statement he did not have in contemplation the time when a Chief Executive would usurp the functions of Congress, bend it to his will, make the legislative committees subservient to him, formulate the legislative program, draft the bills both as to substance and form, and then demand enactment of them into law without change. It did not occur to him, I venture to say, that legislators elected to the Congress of the United States would ever become so servile. Moreover, I dare say the thought never entered his mind that a Chief Executive would engage adroit counsel and assign to them the specific task of so formulating legislative measures as to evade the spirit and intent of the Federal Constitution. Few bills that have come before Congress, I am sure, have had more time spent upon them by legal talent in an attempt to evade and circumvent constitutional barriers than has the economic-security bill now before this House.

The provisions have been cut, carved, sawed, assembled, and reassembled in an effort to make it constitutionally presentable to the Supreme Court. A resort has finally been had to an ingenious mechanical arrangement of title II and title VIII as the most likely means of diverting the attention of the Supreme Court from the real issue, viz, that these two titles are the same in purpose, spirit, intent, and sub-

stance. This clever scheme may succeed, but I do not believe this mechanical subterfuge will deceive the Court. If the purpose sought to be accomplished does escape the scrutiny of the Court because of the mere juggling of titles, then other police powers reserved to the States may in the same manner be taken over and operated by the Federal Government without let or hindrance.

But, Mr. Chairman, the courts are not dumb when it comes to detecting legislative subterfuges, even when such attempted evasions are drawn by the "brain trust" counselors. We have evidence of this in a recent opinion written by Federal Judge Charles I. Dawson in support of a decision adverse to new-deal legislation. The language and the logic expressed in the opinion are appropriate and applicable to title II and title VIII in the bill before us. Judge Dawson writes:

It is impossible for anyone who has any respect for constitutional limitations to contemplate this law with complacency. * * *

It is the plainest kind of an attempt to accomplish an unconstitutional purpose by the pretended exercise of constitutional powers.

In this same opinion Judge Dawson said that if the act itself shows that—

Subterfuges were resorted to to circumvent constitutional limitations, no judge who respects his oath to support and defend the Constitution will hesitate to strike it down, it matters not how great may be the demand for such legislation.

Executive domination is responsible for including in this economic-security bill subject matter that should have been brought in under separate measures. Never under any circumstances, except under present dictatorial pressure, would the Ways and Means Committee have brought a bill in here loaded down with subject matter some of which ought to receive profound study before being launched in perilous times like these. There would be little if any opposition to Federal aid to the humanitarian subjects, such as adequate aid to the aged, grants to States for dependent children, grants in aid of maternal and child welfare, grants to maternal and child-health service, grants to aid crippled children, aid to child-welfare services, support to vocational rehabilitation, and to public-health work.

But there is included in this bill, by the direction and at the command of the President, the compulsory contributory old-age-annuity provision. As I have stated, it raises a grave constitutional question, and, beyond all this, it lays a heavy tax burden on employers and employees alike when they are least able to bear it, not to meet an emergency or to furnish immediate relief to those in need. Titles II and VIII, I repeat, were placed in this bill and kept in this bill because you were ordered and commanded to do it by the President.

This measure, like so many complex bills that have preceded it, was not brought here, and you did not dare bring it here, until it had run the gamut of administration approval. First it had to satisfy the "brain trust." Next it had to receive the benediction of the President. When the press announced that the majority members of the Ways and Means Committee had been to the White House to obtain the consent of the President to bring the economic-security bill before the House of Representatives for consideration, I was reminded of the truth that history repeats itself. Almost six centuries ago, when the King of England convened Parliament, the sole duty of the Commons was to consent to taxes. Later on, in 1354, Edward III, for some reason not revealed, asked the Commons their opinion of the French war which he was then carrying on, and this was their reply:

Most dreaded lord, as to this war and the equipment needed for it we are so ignorant and simple that we do not know how nor have we the power to decide. We, therefore, pray your grace to excuse us in the matter.

The parallel is in the procedure only—not a reflection upon the intellectual capacity of my colleagues. I want it distinctly understood that I have a profound admiration and respect for the character and intelligence of my associates on the Ways and Means Committee. What I deplore is the lack of legislative independence so much needed to prevent constant dictatorial Executive interference with the legislative branch of the Government. A great statesman has said;

The true danger is when liberty is nibbled away for expedients and by parts.

The centralization of power in the executive branch of the Government is a menace of major proportions.

I know that the admonitions of George Washington on this point will fall on deaf ears, but I hope you will indulge me while I quote from his Farewell Address:

It is important likewise—

He said—

that the habits of thinking in a free country should inspire caution in those intrusted with its administration, to confine themselves within their respective constitutional spheres, avoiding in the exercise of the powers of one department to encroach upon another. The spirit of encroachment tends to consolidate the powers of all the departments in one, and thus to create, whatever the form of government, a real despotism.

A just estimate of that love of power and proneness to abuse it which predominate in the human heart is sufficient to satisfy us of the truth of this position.

The necessity of reciprocal checks in the exercise of political power by dividing and distributing it into different depositories, and constituting each the guardian of the public weal against invasions of the others, has been evinced by experiments, ancient and modern; some of them in our country and under our own eyes. To preserve them must be as necessary as to institute them.

If in the opinion of the people the distribution or modification of the constitutional powers be in any particular wrong, let it be corrected by an amendment in the way which the Constitution designates. But let there be no change by usurpation, for though this in one instance may be the instrument of good, it is the customary weapon by which free governments are destroyed. The precedent must always greatly overbalance in permanent evil any partial or transient benefit which the use can anytime yield.

Again let me remind the members of the majority that even though you enact title II and title VIII as commanded by President Roosevelt the responsibility for an adverse decision by the Supreme Court as to the constitutionality of these two titles will rest upon you. It will not relieve you from it to say: We obeyed our master's voice. Will he come to your rescue? Not at all. What will his answer be? Is he not in a position to say this, "My fellow countrymen, I made my position clear on this subject when I was Governor of New York State. In a radio address broadcast on March 2, 1930, I then said"—

As a matter of fact and law the governing rights of the States are all of those which have not been surrendered to the National Government by the Constitution or its amendments. Wisely or unwisely, people know that under the eighteenth amendment Congress has been given the right to legislate on this particular subject (prohibition); but this is not the case in the matter of a great number of other vital problems of government, such as the conduct of public utilities, of banks, of insurance, of business, of agriculture, of education, of social welfare, and of a dozen other important features. In these Washington must not be encouraged to interfere.

Federal Government costs us now \$3,500,000,000 every year, and if we do not halt this steady process of building commissions and regulatory bodies and special legislation like huge inverted pyramids over every one of the simple constitutional provisions, we will soon be spending many billions of dollars more.

Mr. Chairman, what is the situation? It is this: Five years ago in the broadcast from which I have quoted, Governor Roosevelt stressed his opposition to the type of Federal legislation which you now seek to enact. His reasons then given were, viz, that—

The governing rights of the States are all those which have not been surrendered to the National Government by the Constitution or its amendments.

That among the governing rights of the States not so surrendered are insurance, social welfare, business, and others.

You on the majority side say that you cannot understand our position with reference to title II and title VIII. I venture to suggest that the minority has a clearer conception of where the President stands with reference to the unconstitutional aspects of titles II and VIII than do you on the majority side. The position taken by President Roosevelt, when he was Governor of New York State, as to the constitutional questions involved in legislation of the character of the bill now before us, was sound then, and it is sound now, and you know it and he knows it. We know it, and under our oath of office we shall support the Constitution.

You may manipulate, distort, and butcher this bill in an endeavor to evade the fundamental law of the land, but you

cannot change the fundamental purpose, the facts, nor the law.

The tenth amendment to the Constitution provides that the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people.

The fourteenth amendment does not take from the States police powers reserved to them at the time of the adoption of the Constitution. Furthermore, the Supreme Court of the United States has steadfastly adhered to the principle that the States possess, because they have never surrendered, the power to protect the public health, morals, and safety by any legislation appropriate to that end, which does not encroach upon the rights guaranteed by the National Constitution. What is more, as stated by Judge Cooley in his great work, *Constitutional Limitations*:

In the American constitutional system, the power to establish the ordinary regulations of police has been left with the individual States, and it cannot be taken away from them, either wholly or in part, and exercised under legislation of Congress.

Neither can the National Government, through any of its departments or officers, assume any supervision of the police regulations of the States.

Furthermore, the distinguished author makes this additional observation:

And neither the power (police power) itself, nor the discretion to exercise it as need may require, can be bargained away by the State.

Aside from insurmountable constitutional objections, there are practical reasons that ought to deter you from enacting titles II and VIII. Under these two titles the Congress proposes to compel the employers and employees to assume a financial burden that will ultimately amount to over \$32,000,000,000. It is proposed to set up a bureaucratic scheme like this when 12,000,000 wage earners are without employment, when one-sixth of our population is on the relief rolls, when our national and State debts are appalling, and in face of the fact that it will be years before benefits will be paid.

Mr. Chairman, speaking of the present plight of the country brings me to a discussion of title III and title IX, which deal with unemployment insurance. This is another compulsory pay-roll tax. The system that is proposed to coerce the States to adopt by means of a 3-percent pay-roll tax, imposed on employers who employ 10 or more persons, is a State function as distinguished from a Federal function. The States may or may not set up an unemployment system, but in a State that fails to do so the employers who fall within the purview of titles III and IX will receive no unemployment benefits for their employees from the 3-percent tax imposed. In such a case it is not a tax but a penalty, and, therefore, discriminatory as well.

The problem before the Nation today is to find work—not public work paid out of the taxpayers' money—but work in private industry. Private business and industry should be encouraged, not discouraged. What has been the philosophy under which our Government has operated for the past 150 years, until recently? It has been the nonintervention of government in competition with private business. When social or economic legislation has been presented the practice heretofore has been for Congress to ascertain whether the ideas proposed would produce useful or injurious results, without troubling about their theoretical value. Now all this is reversed by the apostles of Government intervention, who maintain that the brain trust, by reason of the intellectual superiority of its members, ought to control the whole complex of the Nation's industrial and commercial activities, even though it may deprive the citizen of initiative and therefore of liberty.

The gradual replacement of private initiative by that of Government domination is apparent to those whose intellectual and moral senses have not been dulled by Federal doles and assurance of "a more abundant life."

Steadily and gradually, under the powers granted by Congress to the executive branch of the Government, it is beginning to direct everything, manage everything, and monopolize everything. Day by day the Government will intervene more and more in the most trivial activities of its citizens.

The Congress has appropriated millions of dollars, in fact billions of dollars, of the taxpayers' money and made them available to Government functionaries to spend in developing Government plants and commercial activities to compete with private enterprise.

The United States of America, under constitutional government, has for 144 years, until the advent of the "new deal", surpassed every other Nation in the creation of wealth and in the wide distribution of it among the masses. The American philosophy of government has permitted the activity of the individual to reach its maximum and that of the Government to be reduced to a minimum. It is proposed now to reverse the American policy of private initiative and, instead, to make the Federal Government preponderant in the daily affairs of every individual.

Unemployment insurance is dependent on the pay rolls of private industry, not on Government pay rolls. Private pay rolls are a condition precedent to the success of the plan embodied in titles III and IX of the bill before us.

It has been truly said that—

The man who is trying to make a living for his family and pay taxes to city, State, and Nation, always loses if he has a government for a competitor.

Mr. Chairman, the small-business man, the one who falls within the purview of titles III and IX is sorely pressed at the present time to maintain his solvency. These small concerns can meet this new burden of taxation only by either going out of business or by cutting expenses. How will the man employing 12 or 15 men reduce his expenses? He will, if possible, reduce the number of his employees to 9 to escape the tax burden.

Much has been said about the unemployment systems of foreign governments; that the United States is a backward nation in this field of social legislation. The experience of some of the other nations with unemployment insurance demonstrates clearly that if such a system is launched on a large scale during a period of depression, all that can save it from financial disaster is the Treasury of the Federal Government. The burden of keeping the system solvent will first fall on the wage earner.

Gustav Hertz, German labor economist, in a recent work on social insurance, states this:

In Germany no one any longer doubts the fact that the employer's share of the premium is taken from the workman's wages. What the employer pays as his contribution to social insurance he cannot pay the workmen in the form of wages.

The author further adds:

Some years ago a well-known trade unionist even had to admit that countries without social insurance have higher real wages than Germany (United States, Holland, Scandinavia), while another said: "High wages are the best social policy."

In other words—

Says Mr. Hertz—

social insurances handicap wage development. But not only this, they also intensify wage struggles.

Mr. Hertz states that under the German system—

Premiums started on a modest basis. The first were 1½ percent for employee and three-fourths of 1 percent for employer. Today the entire premium averages almost one-fifth of the amount of the wages, and for miners it is nearly 30 percent.

Mr. Chairman, I am not hostile to unemployment insurance, but I do maintain that such a system, to succeed, must be put in operation when the unemployment fund can be built up without retarding recovery.

British experience with unemployment insurance demonstrates the advantage of starting such a plan under auspicious circumstances. The British National Insurance Act went into effect December 16, 1911. It covered only 2,000,000 manual workers in "seven of the more unstable industries." After the outbreak of the World War, 1,500,000 were added to the insurance list. The scheme operated successfully from 1911 up to 1920. It could not do otherwise, because during that time there was practically no unemployment. Because of the war activities, it was almost impossible to find men to fill available jobs.

In November 1920 the unemployment scheme was expanded to cover a total of 12,000,000 workers. Then came the depression of 1920, followed by unemployment. What happened?

The fund of £22,000,000, accumulated prior to the depression, was exhausted by the middle of 1921. Then the unemployment system had to borrow from the Treasury, and by 1922 a debt of £14,300,000 had been incurred.

The employment-fund debt in March 1927 had increased to £24,710,000, more than twice what it had been the previous year.

Then contributions were increased and benefits reduced.

It became necessary in 1929 to borrow £10,000,000 more from the Treasury.

The annual cost in 1930 increased £13,000,000 more. The debt doubled in the next 12 months, and in March 1931 stood at £73,600,000—all this drawn from the Treasury and as an added burden to the taxpayers.

The indebtedness of the unemployment fund increased steadily at the rate of £1,000,000 a month.

In September 1931 the debt had reached £101,910,000.

Mr. Chairman, is this record and this experience of Great Britain to be ignored by the Members of this House? Theorists may do so, but ought we, as responsible representatives of the people, to do so?

It cannot be successfully disputed that the national budgetary crisis of Great Britain in 1931 was largely due from financing the unemployment system.

I want to impress on the Members of the House that during the calendar year 1931 the British Treasury paid out £16,000,000 in contributions, £28,000,000 in transitional benefits, and also loaned in addition to these sums fifty million to the unemployment fund.

Mr. Chairman, only last year, 1934, one of the great problems of the British Parliament was to find some way to establish the unemployment system on a solvent and self-supporting basis. It still remains an unsolved problem in Great Britain.

I urge you not to disregard the facts. The greatest boon that can come to the wage earners of this Nation is industrial and business recovery. The unemployed want jobs and not doles. Recovery cannot come by plunging the Nation further and further into debt by increasing Government bureaus and commissions and by imposing taxes. The way to confidence and recovery is not by squandering money on experiments that have been tried and that have failed.

Let us replace experiments with experience. "Experience," says Wendell Phillips, "is a safe light to work by, and he is not a rash man who expects success in the future by the same means which secured it in the past." [Applause.]

ANALYSIS OF SOCIAL SECURITY BILL

TITLE I. GRANTS TO STATES FOR OLD-AGE ASSISTANCE

(a) Appropriation: \$49,750,000 in fiscal year 1936, and so much as may be necessary in future years.

(b) Appropriation made out of Treasury; no special tax levied.

(c) Federal Government pays one-half cost of State old-age pensions, with limit of \$15 per month per person. Example: If rate is \$20 per month, Federal Government will pay \$10; if \$30 or more, Federal Government will pay \$15.

(d) To qualify for Federal assistance, State's old-age-pension law must meet certain Federal standards of administration, and must not—

(1) Have an age requirement in excess of 65 years, except until January 1, 1940, when it may be 70 years.

(2) Have a residence requirement in excess of 5 years out of the last preceding 9 years, including the year immediately preceding the date of application.

(3) Deny a pension to a person otherwise eligible who is a citizen of the United States.

TITLE II. FEDERAL OLD-AGE BENEFITS (COMPULSORY CONTRIBUTED ANNUITIES)

(a) Money required under this title to be raised by tax on beneficiaries and their employers under title VIII.

(b) Provides for payment of retirement annuities at age 65 to workers subject to the tax under title VIII.

(c) To qualify for retirement benefits—

(1) The worker must be 65 years of age or over.

(2) The total amount of taxable wages paid to him after December 31, 1936, and before he reached the age of 65 must not be less than \$2,000.

(3) He must have received such wages in each of 5 or more calendar years after December 31, 1936, and before he reached the age of 65.

(d) The amount of retirement annuity is based upon the cumulative wages paid to the worker over a period of 5 or more years on which taxes have been paid. Where the total tax-paid wages have been between \$2,000 and \$3,000 the monthly annuity is one-half of 1 percent of such total wages. If the cumulative wages were more than \$3,000, the monthly annuity would be computed as follows: One-half of 1 percent of the first \$3,000, plus one-twelfth of 1 percent of the amount between \$3,000 and \$45,000, plus one twenty-fourth of 1 percent of the amount in excess of \$45,000. In no case may the monthly annuity exceed \$85.

Following are examples of how this method of computation will work out:

Total tax-paid wages over period of years:	Monthly annuity
\$2,000.....	\$10.00
\$3,000.....	15.00
\$5,000.....	16.67
\$10,000.....	20.83
\$20,000.....	29.17
\$30,000.....	37.50
\$45,000.....	50.00
\$60,000.....	56.25
\$80,000.....	64.58
\$100,000.....	72.92
\$125,000.....	83.33
\$129,000 or more.....	85.00

(e) Where a person has paid taxes with respect to his wages, but at age 65 cannot qualify for a monthly annuity, he is reimbursed in an amount equal to 3½ percent of the amount of his total wages with respect to which taxes have been paid under title VIII.

(f) In case a worker dies before reaching the retirement age, his estate is paid an amount equal to 3½ percent of his tax-paid wages.

(g) For rates of tax, see title VIII.

(h) Exemptions from benefits: The persons exempted from the benefits under title II correspond exactly with the persons exempted from the tax under title VII, which see.

TITLE III. GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

(a) Appropriation: \$4,000,000 in fiscal year 1936 and \$49,000,000 thereafter.

(b) To be used by States to meet cost of administration of their unemployment compensation laws.

(c) Money to be allocated on basis of, first, population; second, the number of persons covered by the State law; and, third, such other factors as the social-security board may deem relevant.

(d) In order to qualify for assistance, States must enact unemployment-compensation laws meeting certain Federal standards of administration, including acceptance by the State of the provisions of the Wagner-Peyser Act. The bill does not lay down any standards respecting the waiting period, the amount of unemployment compensation, nor the length of time it will be paid.

(e) No part of the Federal appropriation will be used in paying unemployment benefits.

(f) The money will be appropriated out of the general funds of the Treasury, but sufficient revenue will be derived from the pay-roll tax under title IX to cover the cost.

TITLE IV. GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN

(a) Appropriation: \$24,750,000 for fiscal year 1936 and such sums as may be necessary thereafter, paid out of general revenues of Treasury.

(b) Federal Government will match State appropriations for same purpose on basis of \$1 for each \$2 spent by State.

(c) Limit of Federal contribution would be \$6 per month for first child and \$4 for each additional child in family.

(d) To qualify for Federal assistance, States must submit and have approved by social-security board their plans for caring for dependent children. Plan must meet certain Federal standards.

TITLE V. GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

Part I. Maternal and child health services

(a) Appropriation: \$3,800,000 for each fiscal year, beginning with the fiscal year 1936.

(b) To be used by States in extending and improving services for promoting health of mothers and children.

(c) Allotted by Children's Bureau on basis of \$20,000 to each State and \$1,800,000 on basis of number of live births within each State. These allocations must be matched by the States on a dollar-for-dollar basis. Remaining \$980,000 to be allocated on basis of need and live births and not to be matched.

(d) To qualify for assistance, States must submit and have approved by Children's Bureau their plans for maternal and child services.

Part II. Services for crippled children

(a) Appropriation: \$2,850,000 for each fiscal year, beginning with the fiscal year 1936.

(b) To be used by States in caring for crippled children.

(c) Allocated by Children's Bureau on basis of \$20,000 to each State and the remainder on the basis of need. Allocations must be matched by States on dollar-for-dollar basis.

(d) To qualify for assistance, States must submit and have approved by Children's Bureau their plans for caring for crippled children.

Part III. Child-welfare services

(a) Appropriation: \$1,500,000 for each fiscal year, beginning with the fiscal year 1936.

(b) To be used by States in establishing and extending public-welfare services for the protection and care of homeless, dependent, and neglected children.

(c) Allocated by Children's Bureau on basis of \$10,000 to each State, and balance on basis of ratio of rural population to total rural population in the United States. This appropriation is not required to be matched by the States.

Part IV. Vocational rehabilitation

(a) The present authority for appropriations for vocational rehabilitation must be renewed every 3 years. It expires at the end of the fiscal year 1937.

(b) The bill authorizes the appropriation of an additional \$841,000 in the fiscal years 1936 and 1937 and authorizes a permanent appropriation of \$1,938,000 for each succeeding fiscal year.

(c) In addition, the bill provides \$22,000 for administration expenses during 1936 and 1937 and \$102,000 thereafter.

Part V. Administration

(a) Appropriation, \$425,000 for fiscal year 1936.

(b) To be used by Children's Bureau for additional expenses incurred in administration of title V.

TITLE VI. PUBLIC-HEALTH WORK

(a) Appropriation, \$10,000,000 for each fiscal year beginning with the fiscal year 1936.

(b) Eight million dollars to be allocated to States, \$2,000,000 to be used by United States Public Health Service.

(c) Grant to States to be used in establishing and maintaining adequate State and local public-health services.

To be allocated by Surgeon General of Public Health Service on basis of, first, population; second, special health problems of the State; and third, financial need. No matching required.

(e) Additional appropriation for United States Public Health Service to be used in investigation of disease and problems of sanitation.

TITLE VII. SOCIAL-SECURITY BOARD

(a) Social Security Board set up to administer provisions of bill relating to old-age pensions and to dependent children, contributory annuities, and unemployment compensation.

(b) Composed of three members appointed by President by and with advice and consent of Senate to serve for 6 years at compensation of \$10,000 per annum.

(c) Board to be independent agency.

(d) Bill authorizes appropriation of \$500,000 for expenses in fiscal year 1936.

TITLE VIII. TAXES WITH RESPECT TO EMPLOYMENT

(a) This title should be considered in connection with title II, since the tax and the benefits are all part of one scheme. The provisions are separated into two different titles for the purpose of lending a color of constitutionality. If they were incorporated in a single title, they would clearly be unconstitutional, since the Federal Government has no power to set up a social-insurance scheme under the guise of a tax. Even with the two titles separated, there is still a grave doubt as to the constitutionality of the scheme.

(b) Title VIII levies a tax on certain employees and their employers for the purpose of setting up a fund out of which to pay the retirement annuities to such employees under title II.

(c) A separate tax is imposed on the wages received by workers and on the pay roll of their employers. The tax applies only to the first \$3,000 of the employee's annual wage, that portion of the wage in excess of that amount being exempted. Thus if the annual wage were \$2,500, it would all be taxed, and if it were \$5,000 or \$10,000, only \$3,000 of it would be taxed.

(d) The rates of tax on employer and employee are as follows: 1 percent on each in 1937, 1938, and 1939; 1½ percent on each in 1940, 1941, and 1942; 2 percent on each in 1943, 1944, and 1945; 2½ percent on each in 1946, 1947, and 1948; 3 percent on each in 1949 and subsequent years.

(e) The following classes of employees are exempt from the tax, and therefore from the benefits under title II:

- (1) Agricultural labor.
- (2) Domestic service in a private home.
- (3) Casual labor not in the course of the employer's trade or business.
- (4) Service performed in the employ of the United States Government or instrumentalities thereof.
- (5) Service performed in the employ of a State or political subdivision or instrumentalities thereof.
- (6) Service performed in the employ of a church, school, hospital, or similar religious, charitable, scientific, literary, or educational institution not operated for private profit.
- (7) Offices and members of the crew of American or foreign vessels.

(f) Wages paid to employees over the age of 65 would not be taxed.

TITLE IX. TAX ON EMPLOYERS OF 10 OR MORE

(a) The purpose of this tax is to force the States to enact unemployment-insurance laws.

(b) The object is achieved by levying a pay-roll tax on employers of 10 or more persons during any portion of 20 or more weeks during the year. Against this tax, a credit would be allowed, up to 90 percent thereof, for any contributions paid to a State unemployment-insurance fund. No credit would be allowed for private unemployment funds set up by the individual employer.

(c) The rate of tax is 1 percent of the pay roll in 1936, 2 percent in 1937, and 3 percent in 1938 and subsequent years.

(d) The exemptions from the tax, in addition to employers of less than 10 persons, include the following classes of employment:

- (1) Agricultural labor.

- (2) Domestic service in a private home.
- (3) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother.

(4) Service as an officer or member of the crew of a vessel on the navigable waters of the United States.

(5) Service in the employ of the United States Government or instrumentalities thereof.

(6) Service performed in the employ of a State or political subdivision or instrumentalities thereof.

(7) Service performed in the employ of a church, school, hospital, or similar institution not operated for private profit.

(e) In order for an employee to be able to credit against the Federal tax his contribution to a State unemployment-insurance fund, the State law must have been approved by the Social Security Board as meeting the standards laid down in the bill.

Example of application of unemployment taxes

(Based on pay roll of \$100,000 per annum)

1. Federal tax of 3 percent, State tax of 3 percent payable entirely by employer:	
State tax.....	\$3,000
Federal tax before credit.....	3,000
Credit against Federal tax (not to exceed 90 percent of Federal tax) for State tax paid.....	2,700
Net Federal tax.....	300
Total Federal and State taxes.....	3,300
2. Federal tax of 3 percent, State tax of 2.7 percent, payable entirely by employer:	
State tax.....	2,700
Federal tax before credit.....	3,000
Credit against Federal tax for State tax paid.....	2,700
Net Federal tax.....	300
Total Federal and State taxes.....	3,000
3. Federal tax of 3 percent, State tax of 3 percent, payable one-half by employer and one-half by employees:	
State tax on employer (1½ percent).....	1,500
Federal tax before credit for State tax paid by employer.....	3,000
Credit against Federal tax.....	1,500
Net Federal tax.....	1,500
Total Federal and State taxes on employer.....	3,000

TITLE X. GENERAL PROVISIONS

(a) This title includes general definitions, provisions for the establishment of rules and regulations, and so forth.

(b) "State" and "United States" are defined to include Alaska, Hawaii, and District of Columbia.

Appropriations provided for in the economic-security bill

Purpose	Appropriation	
	Fiscal year 1936	Succeeding years
Old-age pensions.....	\$49,750,000	(7)
Administration of State unemployment insurance.....	4,000,000	\$49,000,000
Dependent children.....	24,750,000	(7)
Maternal and child welfare.....	3,800,000	3,800,000
Crippled children.....	2,850,000	2,850,000
Child welfare.....	1,800,000	1,800,000
Vocational rehabilitation.....	841,000	1,938,000
Administration expenses.....	22,000	102,000
Public health.....	10,000,000	10,000,000
Social Security Board (administration).....	500,000
Children's Bureau (administration).....	425,000
Total.....	98,438,000

† Indefinite.

Total taxes on employers and employees under social-security bill

Effective date of tax	On employers					On employees (title VIII)		Grand total on employers and employees	
	For unemployment insurance (title IX)		For employees' annuities (title VIII)		Total on employers	Amount	Rate	Amount	Rate
	Amount	Rate	Amount	Rate					
	Mills. of dozs.	Per-cent	Mills. of dozs.	Per-cent	Mills. of dozs.	Mills. of dozs.	Per-cent	Mills. of dozs.	Per-cent
Jan. 1, 1936...	228	1			228				1
Jan. 1, 1937...	501	2	279	1	780	279	1	1,059	4
Jan. 1, 1938...	786	3	280	1	1,066	280	1	1,346	5
Jan. 1, 1939...	803	3	283	1	1,086	283	1	1,369	5
Jan. 1, 1940...	820	3	357	1½	1,177	357	1½	1,534	6
Jan. 1, 1941...	833	3	432	1½	1,265	432	1½	1,697	6
Jan. 1, 1942...	846	3	437	1½	1,283	437	1½	1,720	6
Jan. 1, 1943...	855	3	514	2	1,369	514	2	1,883	7
Jan. 1, 1944...	863	3	593	2	1,456	593	2	2,049	7
Jan. 1, 1945...	872	3	708	2	1,580	708	2	2,288	8
Jan. 1, 1946...	879	3	680	2½	1,559	680	2½	2,239	8
Jan. 1, 1947...	886	3	762	2½	1,648	762	2½	2,410	8
Jan. 1, 1948...	892	3	768	2½	1,660	768	2½	2,428	8
Jan. 1, 1949...	899	3	853	3	1,752	853	3	2,605	9
Jan. 1, 1950...	906	3	939	3	1,845	939	3	2,784	9

Mr. DOUGHTON. I yield the remainder of my time, 1 hour, to the gentleman from Kentucky [Mr. VINSON].

Mr. VINSON of Kentucky. Mr. Chairman, it is always a pleasure to hear the distinguished gentleman from New York [Mr. REED] upon any subject. He is one of the most capable members of the minority on our committee of the House of Representatives. He is a splendid lawyer. I endeavored to hear every utterance he made. I assume from his remarks that the constitutionality of title III and title IX is not involved in this discussion. As I heard the gentleman, the constitutionality of those titles was not attacked. The gentleman from New York dealt with title III and title IX as a question of policy. As I understood the gentleman, he favored the humanitarian titles in the bill. If I caught his statements, he favored title I, the old-age pension phase of the bill, and title IV, which deals with dependent children; title V, maternal and child welfare; and title VI, public health. He attacked title II and title VIII upon the ground of unconstitutionality.

While I have great faith in the gentleman from New York, I have confidence in his judgment, I submit to the House that his statements referring to the unconstitutionality of titles II and VIII were generalities and conclusions, and while I have confidence in the gentleman's judgment, I prefer, after the study I have made, to follow the opinion of the Department of Justice that the House of Representatives, the Congress of the United States, should not be deterred from the passage of titles II and VIII because of fear of unconstitutionality.

Further, in that connection, I submit to the House that the reasons the gentleman assigned for the unconstitutionality of titles II and VIII can, with more force, be applied to the titles of the bill which the gentleman supports.

It is a difficult matter, when a bill is under attack from so many sectors, to know just wherein the real attack lies. We have our friends on the minority saying we should do this and we should do that. Some say that the benefits under the bill are not sufficient; others say that the moneys necessary to pay the benefits provided in the bill will bankrupt our Government; that to pay the benefits under the bill, too heavy a burden will fall on industry.

I dare to state that this pioneer in the White House is the cause of bringing to the floor of the American Congress legislation affecting humanity, legislation affecting folks, legislation affecting people, old people, young people, afflicted people. I can say without chance of contradiction that since my sojourn in this House, in former days it was legislation for vested interests; it was legislation affecting property rights that always had the right-of-way. No legislation of this character was ever conceived or considered.

No criticism or attack can detract from the glory that will come to this great humanitarian who occupies the White House; no partisan criticisms can detract from this Congress when they write upon the statute books this legislation affecting men, women, and children. [Applause.]

It is pioneer legislation for this country. In this character of legislation this country has been backward. It has been out of step with the world when it comes to humanitarian legislation. It is a happy day when the Congress of the United States takes under consideration legislation that will reach out into every nook and corner of this country, benefiting the unfortunates who are citizens of our country.

The gentleman from Massachusetts [Mr. TREADWAY] would have you, and the country, believe that the only people appearing before the committee during the hearings and the only people favoring this legislation were those connected with the new deal administration of President Roosevelt—"new dealers", as he termed them.

Let us examine the record and see what the facts are. A total of 103 witnesses were heard by the committee. Seven others either filed letters, telegrams, or briefs, making in all a total of 110. Of this number, only 11 persons connected with the administration were heard, namely, the Secretary of the Treasury, Mr. Morgenthau; the Secretary of Labor, Mrs. Perkins; the Assistant Secretary of the Treasury, Miss Roche; Second Assistant Secretary of Labor, Mr. Altmeyer; Federal Relief Administrator, Mr. Hopkins; Surgeon General United States Public Health Service, Dr. Cummings; Assistant Surgeon General Public Health Service, Dr. Waller; Chief of the Children's Bureau, Miss Lenroot, daughter of Ex-Senator Lenroot, Republican, of Wisconsin; Chief Economic Analyst, State Department, Mr. Hansen; Chairman Railroad Retirement Board, Mr. Latimer; and Chairman National Mediation Board, Mr. Leiserson.

In addition to those directly connected with the administration, there were 10 Members of Congress who testified, including the following Republicans: Senator HASTINGS, chairman Republican Senatorial Campaign Committee; Representative BURNHAM, of California; Representative COLLINS, of California; and Representative MORT, of Oregon.

Only 15 of those comprising the 14 advisory groups working with the President's committee were witnesses during the hearings, and, of course, these men and women cannot be classed as being connected with the administration, except insofar as they are with the administration in advocating and supporting this legislation.

It might be well to devote a little attention to the manner in which this legislation reaches the floor of the House. It has not been hastily prepared or hastily considered by your committee.

In the last Congress a subcommittee of the Ways and Means Committee spent weeks upon one very important phase of it, unemployment compensation. We realized it should take more time and should have more study, and the President of the United States appointed the Economic Security Committee. One hundred and sixteen men and women, in every walk of life, served in an advisory capacity on that committee. Industry, labor, farmers, insurance, social workers—every phase of our life was represented. The President's committee was composed of four members of the Cabinet, Secretaries of Labor, Treasury, and Agriculture, the Attorney General, and the Relief Director. This committee worked for 6 months, with the experience of the world behind them.

Opportunity was given for anyone to testify before that committee. They made their report. Then the original bill, H. R. 4120, was introduced.

I wish time would permit calling the attention of this Congress to the difference between H. R. 4120 and H. R. 7260. I would not have you think for a split second that the central theme running through H. R. 4120 is not in H. R. 7260, the bill under discussion. The central theme, security for unfortunates, is embodied in H. R. 7260 from beginning to end. One hundred and ten witnesses ap-

peared before our committee, 103 in person and 7 filed briefs. Only 11 people connected with the administration were numbered among those witnesses. It was a splendid array. In the hearings we have something that can go forth to the 48 States in regard to social security that will be of benefit to mankind the rest of the way out.

I listened with a feeling almost of shame when I heard a member of that committee, the gentleman from Minnesota [Mr. KNUTSON] say that those who constituted the advisory committee of the President "had never earned an honest dollar in any day of their lives."

Let us examine this list and see the character of citizens the gentleman from Massachusetts sarcastically refers to as "new dealers", and who the gentleman from Minnesota [Mr. KNUTSON] says "are not yet dry behind the ears and have never earned an honest dollar in their lives."

Who are these dishonest people? Examination of the list of those comprising these groups, shown on pages 39, 40, and 41 of the report, discloses the following men and women in this group who, with the others, formulated a general policy that is going to be of never-dying benefit to the aged, to women, and children—America's unfortunates: Frank P. Graham, president University of North Carolina; Gerard Swope, president General Electric Co.; Walter C. Teagle, president Standard Oil Co. of New Jersey; Marion B. Folsom, assistant treasurer Eastman Kodak Co.; William Green, president American Federation of Labor; George M. Harrison, president Brotherhood of Railway and Steamship Clerks; George Berry, president International Printing Pressmen and Assistants Union; Monsignor John R. Ryan, director department of social action, National Catholic Welfare Conference; Grace Abbott, University of Chicago, and former Chief of Children's Bureau; George H. Nordlin, chairman grand trustees, Fraternal Order of Eagles; John G. Winant, former Republican Governor of New Hampshire; Louis J. Taber, master National Grange; M. A. Linton, president Provident Mutual Life Insurance Co.; Louis I. Dublin, vice president, Metropolitan Life Insurance Co.; Dr. Walter L. Bierring, president American Medical Association; Dr. A. L. Chelsey, secretary Minnesota Board of Health; and many other equally patriotic and public-spirited citizens whose integrity and honesty need no defense.

Some say the old-age pension in title I is too small. Others say it is too large. I say that whatever amount is paid in grant to any State in the Union for old-age pensions is more than has ever been paid by the Federal Government under any former administration. Am I right or wrong? Any dollar that goes in grant to the States under title I for pensions to the unfortunate aged is more than has ever been paid under any administration.

It is said that \$30 a month is inadequate. There is nothing in this bill that would prevent any State from making the pension to its citizens more than \$30.

Distinguished men on this floor have attempted to say that the cost of administration under title II is 41½ percent of the money paid by employers, when, as a matter of fact, the cost of administration will not exceed 5 percent of the benefits paid. The difference the gentleman [Mr. TABER] had in mind goes to the men and women of this country in the form of unearned annuities.

My friend, the gentleman from Ohio [Mr. JENKINS], in his opening remarks, said that 90 percent of this bill was good. Ninety percent of it. This is a pretty good record; this would be a pretty good batting average if you were playing on a baseball team—9 hits out of 10 times at bat, hitting 0.900; this is better than the President of the United States in one of his early messages said he would be satisfied with. The gentleman from Ohio [Mr. JENKINS] is a splendid lawyer, one of the best in this House. While he feared unconstitutionality, I had not heard him, the gentleman from New York [Mr. REED], or any other Member on this floor attempt to put his finger on the point that involved uncon-

stitutionality; no single case from any court is cited as authority for its unconstitutionality.

The gentleman from California [Mr. MCGROARTY] stated that the President of the United States never advocated titles I and II of this bill.

If he did not advocate titles I and II, why should we be chastised and criticized by Members who say that, except under the lash of the President, title II would not be in the bill? I think I can say that the President of the United States approves the purpose, the policy, the effect of H. R. 7260. I feel that I can say that the President of the United States believes in title II of this bill. In many respects it is the strongest part of the bill. The trouble with lots of folks is that they quit reading the bill before they get to title II, and I say this with all charity and tolerance. I do not want to be intolerant; it is so easy for a person to be intolerant. I recognize that those of us who have eaten breakfast, dinner, and supper with this bill, and slept with it for 3 solid months, might be prone to intolerance, but I trust I shall not be.

TITLE I. OLD-AGE PENSIONS

The sufficiency of the \$49,750,000 provided in title I has been questioned. Suffice it to say that if you match \$50,000,000 with \$50,000,000 raised by the States, you have \$100,000,000 to be spent the first 12 months. This is three and one-third times the amount of money that was paid out in old-age pensions throughout the entire United States in the year 1934.

The original bill placed a limit at \$125,000,000 the second year and the years thereafter. The bill under consideration authorizes the appropriation of such amount as is necessary to match the States \$15 per individual. The payments are made to the States. There is no trouble about the initial amount. If it does not meet the demands for the first 6 months of the next fiscal year, Congress will then be in session to meet the needs.

We have had many Federal grants in aid to States, but let me say to the House—and this is a statement that cannot be contradicted—that the powers under this bill that rest in the State are greater than those resting with the States in any other statute granting aid to States. Perhaps I should put it the other way around and say that under this bill there is less Federal power to be exercised in the administration of the act than in any grants-in-aid statutes on the books. We made it a point to preserve the rights of the States. You will find that in the question of administration the selection, the tenure, the salary, all that went with personnel, is left to the States.

There is no yardstick laid down in this bill by the Federal Government with respect to the aged who will get the benefits under title I. The States have that power; it is theirs under the Constitution of the United States. No effort was made to deprive them of it. One State may have one yardstick, and a second State may have another yardstick; only subject to the age limit of 65 or 70, up to 1940, the question of 5 years' residence within the States during the preceding 9 years, the last year of which must have been spent in the State immediately prior to time the application was made; and thirdly, that no citizen of the United States can be excluded from the provisions of the act.

The question is raised that \$15 per individual per month is not a sufficient amount. Will gentlemen who oppose the bill because they say it is not enough join with those who oppose the bill because they say it is too much and defeat the purpose of the bill?

I shall read a few lines from the message of the President of the United States which he issued 3 months ago today as the foundation rock upon which you can build this structure. The pending measure is not proposed as a perfect bill. In the committee we had contests, and they were honest-to-God contests. The minority joined in and they were quite helpful up to the time they had the Republican conferences, and then, instead of voting their judgment, they voted "present."

Why, at the time my friend the gentleman from New York [Mr. REED] read from that message which was written 600 years ago to the King when the representatives of the House of Commons bowed in obeisance and wanted to know what he would have them do, I could not keep from thinking that if it had been in this day, and they had received advice from the Republican conference, they would have received the mandate, to vociferously vote "present." Think about it. There were 3 months of open hearings and executive sessions. All the time they helped a lot. They made intellectual contributions to this measure in order to perfect it the best we could, and then after voting affirmatively to report out every title in this bill except titles II and VIII, most of the time unanimously, when it came to the scratch, they very loudly voted "present."

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. How could a man, in keeping with his conscience, who is opposed to titles II and VIII, vote any other way at that time except to vote "present"? He has no other alternative.

Mr. VINSON of Kentucky. I may say to the gentleman from Ohio that he was one of those who from the beginning objected to titles II and VIII. His conscience was squarely fixed early in the game. However, there were some other gentlemen on his side of the aisle that did not make up their minds to vote "present" until the Republican conference. I think the gentleman will bear me out in that statement.

Mr. MOTT. Will the gentleman yield?

Mr. VINSON of Kentucky. I must go along.

Mr. MOTT. I think the gentleman made a misstatement which he himself will correct.

Mr. VINSON of Kentucky. As the gentleman suggests a misstatement, I yield to the gentleman from Oregon.

Mr. MOTT. The gentleman stated that Members on the Republican side objected that the amount of the old-age pension provided in this bill was too large. I would like to have the gentleman state who on the Republican side, or even on the Democratic side, made such a statement.

Mr. VINSON of Kentucky. The gentleman from Pennsylvania [Mr. RICH] was quite emphatic in asking where we were going to get the money. Many gentlemen on the Republican side have asked that same question. Some other gentlemen have made that statement, and then in the next breath said that the amount was inadequate.

Mr. MOTT. With reference to title I?

Mr. VINSON of Kentucky. Title I; yes.

Mr. MOTT. I never heard such a statement made.

Mr. VINSON of Kentucky. I cannot help it if the gentleman has not heard the statement.

Mr. MOTT. I have been here continuously since the debate started.

Mr. VINSON of Kentucky. Then something is wrong with the gentleman's hearing.

Mr. Chairman, I want to read a paragraph from the President's message which should guide us in framing this bill. This is the first time that the Congress of the United States ever attempted legislation of this kind. I say in all seriousness that we must be cautious in the laying of the foundation rocks upon which this structure will be built. I quote from the President's message:

It is overwhelmingly important to avoid any danger of permanently discrediting the sound and necessary policy of Federal legislation for economic security by attempting to apply it on too ambitious a scale before actual experience has provided guidance for the permanently safe direction of such efforts. The place of such a fundamental in our future civilization is too precious to be jeopardized now by extravagant action. It is a sound idea—a sound ideal. Most of the other advanced countries of the world have already adopted it, and their experience affords the knowledge that social insurance can be made a sound and workable project.

Mr. Chairman, as I have stated previously, other countries have had old-age pension laws. There is an old-age pension law on the statute books of Canada. There they have an average monthly payment of \$18.61. The maximum pension allowed in Canada is \$20. May I say that when you provide an old-age pension of \$30 a month it is more than any legislative body of any country has ever paid to its unfortunate people.

I insert herewith table showing the operation of the Canadian old-age-pension system.

TABLE 1.—Operation of the Canadian old-age-pension act, Dec. 31, 1934¹

Province ¹	Pensioners	Average monthly pension	Percent pensioners to total population	Percent pensioners to population 70 years and over
Total.....	98,111	\$17.63		
Alberta.....	6,947	17.69	0.90	41.80
British Columbia.....	8,893	19.29	1.23	36.43
Manitoba.....	9,995	18.61	1.37	48.52
Nova Scotia.....	11,970	14.40	2.27	45.29
Ontario.....	48,699	18.42	1.37	31.78
Prince Edward Island.....	1,496	9.91	1.68	26.34
Saskatchewan.....	9,904	16.30	1.02	48.71
Northwest Territories.....	7	18.96	.07	7.86

¹ Source: The (Canadian) Labour Gazette, February 1935, p. 142. Based on 1934 estimates of population.

² Quebec and New Brunswick are the only major areas where pension legislation is not in operation.

³ Computed by weighting the average monthly pensions for each Province by the respective number of pensioners.

I likewise insert herewith table showing the amount of old-age pensions in foreign countries (noncontributory systems).

TABLE 2.—Amount of old-age pensions in foreign countries (non-contributory systems)¹

Country:	[Maximum monthly pension (exchange at par)]
Australia.....	\$18.42
Canada.....	20.00
Denmark:	
Men.....	* 9.00 to 15.17
Women.....	* 8.42 to 14.33
Married couple, both over age 65.....	* 13.42 to 22.50
France.....	3.92
Great Britain.....	10.53
Irish Free State.....	10.53
Newfoundland.....	4.17
New Zealand.....	* 18.42
South Africa, Union of:	
White persons.....	12.17
Colored persons.....	7.33
Uruguay.....	14.01

Great concern has been shown over the number of persons that would come under the benefit of the old-age-pension title. I have disposed of any reasonable fear as to the sufficiency of the amount. But I would refer to the error as to the number that would be affected. There are 7,500,000 persons in the United States above the age of 65; 2,200,000 are gainfully employed. The best figures that we can get is that there are now 1,000,000 persons in the United States above the age of 65 on the relief rolls; there may be 1,225,000 or more persons that may be eligible for the old-age pension. It is a difficult matter to say just what number would qualify from those eligible. In the State of Ohio, with 414,000 eligibles under their State law, only 24,000 qualified after about 9 months' operation.

It might be interesting to know the number of old-age pensioners in foreign countries and the number of persons of eligible age. We insert herewith table setting forth this picture.

¹ Metropolitan Life Insurance Co., Old-Age Dependency, Monograph 2 (March 1933), chart VIII.

² Varying according to locality.

³ Maximum pension is increased to \$23.67 a month if pensioner has dependent children.

TABLE 3.—Number of old-age pensioners in foreign countries and number of people of eligible age
[Contributory and noncontributory systems]

Country	Date of law	Type of law	Age requirement	Old-age pensioners		Number of eligible age	Percent- age of pension- ers to number of eligi- ble age
				Number	Year		
Australia.....	1908	Noncontributory..	(1)	83,317	1932	507,755	Percent 36.1
Austria.....	1927	Contributory.....	60	64,366	1929-30	790,689	8.6
Canada.....	1927	Noncontributory..	70	98,111	1934	258,030	36.6
Denmark.....	1891	do.....	65	99,530	1932	222,937	44.8
France ¹	1905	do.....	70	369,977	1930	2,167,492	17.1
Germany.....	1889	Contributory.....	65	2,126,336	1932	3,593,613	59.2
Great Britain.....	1908	Contributory and noncontributory.	65	2,279,791	1932-33	3,418,269	68.7
Greenland.....	1926	Noncontributory..	55	500	1929	981	51.0
Iceland.....	1909	do.....	60	2,465	1928	9,708	25.4
Irish Free State.....	1903	do.....	70	112,059	1928	170,463	65.7
Italy.....	1919	Contributory.....	65	189,698	1933	3,005,444	6.3
Luxembury.....	1911	do.....	65	1,423	1928	18,071	7.9
Netherlands.....	1913	do.....	65	330,696	1929	404,000	81.9
New Zealand.....	1899	Noncontributory..	(1)	34,932	1933	108,911	32.1
South Africa, Union of.....	1928	do.....	65	46,997	1933	185,072	48.0
Sweden.....	1913	Contributory.....	67	264,606	1932	496,193	54.3

¹ Men, 65; women, 60.

² Unless employed.

³ These figures are only for the gratuitous pensions. There are a number of other special schemes for miners, railroad workers, seamen, and employed persons in Alsace-Lorraine, in effect at this time. However, for these, age requirement varies too widely to be included here.

⁴ Estimated.

⁵ Estimated number of people 65 and over in receipt of invalidity or old-age pensions.

⁶ Population 65 years and over in 1920.

⁷ Aged population of the 8 Provinces which have adopted old-age-pension legislation.

⁸ Census of 1921.

TITLE II. OLD-AGE BENEFITS

I go now to title II, Federal old-age benefits.

It has been said that ingenuity was exercised in the preparation of titles II and VIII. We have been charged with the crime of endeavoring to write provisions of law that were constitutional. That is what the charge amounted to. They say much effort has been made to make titles II and VIII constitutional. Is that a crime? Is it not the province and duty of a Member of Congress, and especially a committee, to bring to Congress a bill that is constitutional? May I say, with reference to this question, that the same constitutional basis for title I underlies title II.

I do not believe that anyone can question the constitutionality of title VIII. Mr. Chairman, title VIII is a tax. Congress has the power to tax. Title VIII has two sorts of taxes, an income tax and an excise tax, and no lawyer here, able as they are, has pointed to anything that would indicate that title VIII is unconstitutional.

Mr. JENKINS of Ohio. Will the gentleman yield for a question?

Mr. VINSON of Kentucky. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. Would title VIII be of any benefit in this bill if title II is stricken out?

Mr. VINSON of Kentucky. If title II is stricken, the money would be collected under title VIII under the power of the Congress to levy taxes. You would have the excise taxes collected. You would have the income taxes collected. What would become of them? The same thing would happen to that money that will happen under this bill, namely, the money will be covered into the Treasury of the United States. The money raised under title VIII goes into the general fund in the Treasury. That tax money does not go into the old-age reserve account, but goes into the Treasury of the United States.

I say that we have the same power to enact title II that we have to legislate with reference to titles I, IV, V, and VI. May I say, incidentally, that similar legislation to title V has been upheld by the Supreme Court of the United States in the Sheppard-Towner decision.

Title II is complementary to title I. It is a complement to the old-age pension. I submit that we have the power to appropriate moneys called for in title II. The old-age reserve account is built up by regular annual appropriations. The collection of the tax is one operation under taxing power. The expenditure of regular appropriations for benefits under title II is another operation—under other powers.

You have in title II the purpose effectuated that the gentleman from Pennsylvania [Mr. RICH] wants. He said, "Why do you not balance the Budget?"

Title 2, in setting up the old-age reserve account and payments thereunder purposes to relieve from taxation, and not only relieve the Federal Government from taxes in taking care of the aged under the old-age pension plan, or direct relief, but it purposes and will relieve the States and the units of the States from taxation. It purposes to balance the Budget on that particular line and to have a businesslike, self-sustaining policy with respect to the aged.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. McCORMACK. And to assure security in old age, as a matter of right.

Mr. VINSON of Kentucky. The gentleman is correct.

The taxes under title 8 are not added taxes. In the years that have gone by the aged, the destitute, the young, the crippled have been taken care of somehow. They have not been taken care of as they should have been, or as they will be under this bill. But you have had local taxation, you have had State taxation, you have had Federal taxation to take care of that burden and you have such burden today. I say to you that in my opinion title 2, in building up this reserve account, is in aid of the taxpayer of this country, in the very aid of industry who has not complained of it.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. SAMEUL B. HILL. On that same point, as shown by the testimony of the experts, in the course of time, when they get this reserve fund built up, it will save the Federal Treasury \$800,000,000 a year that otherwise would have to be paid out in old-age pensions.

Mr. VINSON of Kentucky. The way I understand it, it is about \$1,000,000,000 a year, and at the same time it saves the States untold added millions.

Now, under the original bill that came in here—and I wonder what our friends of the opposition would have said about it—when it was submitted to us, title 2, providing for old-age benefits, was not self-sustaining. They would have used the money put into the reserve account to pay the unearned annuities provided therein. In 1980 there would have been a burden of \$1,400,000,000 on the Federal Treasury every year for old-age benefits and \$500,000,000 for old-age pensions. We would have saddled upon the Federal

taxpayers of that time a burden of almost \$2,000,000,000 annually.

Now, our friends on this side of the aisle state there is a 9-percent pay-roll tax. Well, 3 plus 3 plus 3 does make 9, but you know they mix it up. They did not do it intentionally. You have not heard much about that in the last 2 or 3 days, because they have squared off and now understand it is not a 9-percent pay-roll tax until 1949, or 15 years from now, during which time you will have something like six Congresses to relieve, if this burden becomes too heavy upon industry. However, only 6 percent is paid by employers—3 percent is paid by employees.

The tax under title 8 starts on January 1, 1937. For 3 years it is 1 percent, 1937, 1938, and 1939. Then in 1940, 1941, and 1942, it is 1½ percent; in 1943, 1944, and 1945 it is 2 percent; in 1946, 1947, and 1948 it is 2½ percent; and in 1949 and following, it is 3 percent, both on employer and employee.

We had no testimony from any witness, as I recall, except Mr. Emery, inveighing against the levying of this tax. We were told, on the other hand, that there were private concerns today that paid as high as 9 percent on pay rolls for private pension funds; that the employer paid 9 percent on pay rolls for private pension funds, and that the employees paid 5 percent under these private pension plans or a total of 14 percent, as contradistinguished to the total of 6 percent 15 years from now.

I call to your attention that Federal employees under civil service have a retirement fund. I call to your attention that the railroad workers of this country fought for years to get Congress to give them the right to set up a retirement fund, to give them the right to participate in such a fund, to pay a pay-roll tax. So persistent were they that they finally won their fight in the Congress. Today the measure is in the Supreme Court, where the railroad workers of this country are fighting to uphold and maintain the Railway Pension Act, providing benefits for them, benefits for their wives, and benefits for their children; fighting in the courts to be permitted to help build up a retirement benefit for himself and dependents.

Tell me that the working man of this country is not entitled to an opportunity to construct a bill upon this plan in order that his widow and his children may be better cared for when the breadwinner is gone!

Mr. BEITER. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. BEITER. The gentleman is making a very enlightening address. Can he inform the House what will happen to the funds in private companies that are now carrying a pension fund?

Mr. VINSON of Kentucky. There is nothing in this bill that affects them. They can continue to have their private pension plans. The employer and the employee will be under the provisions of the law. There is a real question as to the treatment of those concerns that have private pension plans.

But it was thought best in this initial legislation to build the structure as we have, then look at it with the experience of years and meet that problem at a later date.

TAX-EXEMPT SECURITIES

Criticism has been directed to this old-age reserve account. The statement was made here in the early hours of debate that this reserve would continue a public debt of \$32,000,000,000 when the reserve account meets that figure. It takes many years for the reserve account to reach the figure of thirty-two billion, but I submit to you, on both sides of the aisle, and it seems to me this would be attractive to the gentleman from Massachusetts [Mr. TREADWAY], who has introduced a resolution calling for a constitutional amendment for the prohibition and abolition of tax-exempt securities, that in this old-age reserve account and the unemployment trust fund there is an answer to that problem. It will take some years to build up this old-age reserve account, but the Secretary of the Treasury is directed to invest the funds above the current needs in Government

bonds and bonds the principal and interest of which are guaranteed by the Federal Government.

I say to those who have inveighed against the existence of tax-exempt securities you will not have to have any constitutional amendment. Build up this old-age reserve account, and you will see the withdrawal of tax exempts. There is no trouble about that. If, finally, the reserve account gets large enough and you have not Government bonds to withdraw, I take it some future Congress will provide that the Secretary of the Treasury be authorized to buy State tax-exempt securities yielding a proper rate of interest, in order to have the money there for the aged when they reach 65 years.

TREASURY FINANCING

The question of financing is an important thing. The saving of millions of dollars in interest is involved in the old-age reserve fund. Discretion is lodged in the Secretary of the Treasury to invest this money in Government bonds, if the time is ripe, under the unemployment trust fund—and I hope a similar provision will be incorporated in title II—he may use a special obligation if the interest rate on governments is not sufficient.

We have been told that the Secretary of the Treasury has full and complete authority, under existing law, to invest the appropriations placed in the old-age pension reserve account in special obligations; that heretofore other funds have been invested in similar manner to the funds which are to be deposited in the old-age reserve account; that such funds as those in the adjusted-service-certificate fund, the civil-service retirement fund, the Foreign Service retirement fund, and the Canal Zone retirement fund have been invested in such manner. In order to provide a security which meets the requirement of this fund, the Secretary of the Treasury issues special obligations direct to the fund, bearing interest at the rate specified in the basic law. While it may not be necessary, it seems to me to be the practical thing to give express directions to the Secretary of the Treasury to issue these special Treasury obligations direct to the old-age reserve account at an annual interest rate of 3 percent. We feel that this is particularly fitting due to the obligation assumed by the Federal Government to have a yield of at least 3 percent on the appropriation made to the account in order to build up the reserve required under the law.

Mr. HARLAN. If the gentleman has time, I would like to have him tell the committee why the old-age annuity is distributed directly by the Federal Government and not through State agencies, as the unemployment insurance.

Mr. VINSON of Kentucky. Of course, the gentleman recognizes that you have something like ten or twelve million persons involved. It runs over a period of from 20 to 65 years, a period of 45 years, and it was thought best that the tax money paid under title VIII should go into the Treasury of the United States. These benefits are not paid from the money but from moneys appropriated to the reserve account. That money must be invested by the Secretary of the Treasury, and that fund should be kept intact. The matter of security is involved. There must be no doubt that the aged should have that money when the proper time came. I think if the gentleman will think his question through he will see that security of payment should be the first thought in respect to the obligation of the Federal Government toward the aged in this respect, and that the Federal Government is the best agency to that end.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. Yes.

Mr. McCORMACK. I also call the attention of the gentleman from Ohio [Mr. HARLAN] to the fact that the contributory annuity is different in its administration from the other titles; that there is no social feature involved therein that there is in noncontributory old-age pensions, and we wanted to have our dual system of government preserved by having the noncontributory pensions administered by the local authorities, who would be responsive to local public opinion, which is the best medium of expression under our

dual system of government. The contributory annuity is uniform. It has none of the sound service characteristics of noncontributory old-age pensions and administrative features where the State should be protected against encroachment by the Federal Government. It is best that the duty of administering this title should reside in the Federal Government. We have none of those questions that arise in the case of a gratuitous gift by the Government.

Mr. VINSON of Kentucky. I might suggest that under the unemployment-insurance title of the bill the Federal Government pays the moneys back to the States, and the unemployment-insurance benefits are paid out through the reemployment agencies in the State. Hooked up with this payment of unemployment insurance is the thought that when the reemployment agencies throughout the State know that a person is drawing unemployment insurance, they may be able to provide a job for that man so that he can earn a living wage.

I suggest that we ought not to have fears as to the effect of this pay-roll tax under title VIII.

Mr. CONNERY. Mr. Chairman, will the gentleman yield? Mr. VINSON of Kentucky. Yes.

Mr. CONNERY. That is the point I wanted to ask. How can the gentleman figure by any process of imagination that a pay-roll tax will not be handed on to the consumer and result in a reduction of wages by the employer?

Mr. VINSON of Kentucky. I would answer the gentleman from Massachusetts that it could have no more effect than the taxes now levied and collected in local communities, the taxes levied and collected by State governments, the taxes levied and collected by the Federal Government to do the thing that these benefits do—to care for these unfortunates.

The very able gentleman from Massachusetts [Mr. CONNERY], the distinguished Chairman of our great Committee on Labor, knows that we have unemployment and old-age burdens. We have had it for years. We have it now. We will have it in the future. Consequently, as I said a moment ago, the taxes levied under title VIII are not additional tax burdens, but, as I see it, they are in great part in lieu of present tax burdens.

Mr. DOUGHTON. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. DOUGHTON. Conceding for the sake of argument that it did have the effect which the gentleman from Massachusetts [Mr. CONNERY] says, the employee would have the benefit of it. If he paid it he would get it back, together with an equal amount paid by the employer. So that where he lost \$1, he would get that dollar back and get an additional dollar from the employer.

Mr. VINSON of Kentucky. I will say to the gentleman from Massachusetts [Mr. CONNERY] that it will have much less effect, there will be much less burden on the worker and the consuming public than would be if a certain plan that is proposed by the gentleman from Massachusetts were enacted into law. In other words, I heard someone say that the proposition which the gentleman from Massachusetts in-

tends to offer calls for a burden of \$10,000,000,000 annually. Now, how can the gentleman say that that tax burden, paid by somebody, will not finally be passed on to the consuming public?

Mr. CONNERY. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. CONNERY. If the textile man or the shoe man or the United States Steel Corporation man, out of his income, has to pay for everybody in the United States on unemployment insurance, he cannot take that out of his worker right there in his steel plant.

Mr. VINSON of Kentucky. I am fearful that the gentleman misunderstands what will happen. I am fearful that if his proposal is enacted into law there would be an increase of about a dollar per pair of shoes in order to take care of this burden.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. COOPER of Tennessee. I invite the attention of the gentleman from Massachusetts to the fact that when Mr. Green appeared before the committee, speaking for labor, he specifically and definitely approved this very method of dealing with the question of unemployment insurance.

Mr. VINSON of Kentucky. And, as a matter of fact, as the bill was originally drawn, it called for one-half of 1 percent per year on employer and employee, and Mr. Green insisted that the initial rates be increased, in order to build up this fund quickly, in order that the benefits would be certain to be there for the workman.

Now, in regard to the burden that comes from this pay-roll tax; I will not have time to read this entire table, but I want to say to the gentleman from Massachusetts [Mr. CONNERY] that according to this table, boots and shoes would have a burden of a little more than one-fourth of 1 percent, if we had a 1-percent pay-roll tax it amounts to eighty-seven hundredths of 1 percent for the 3-percent pay-roll tax. I am speaking of the employer. Certainly he cannot charge the employees' part up to the employer, but when the gentleman from Massachusetts votes for this bill on final passage, I feel certain that his working men friends, and they are legion, and rightfully so, will place a star in his crown. They and their children will rise up to call him blessed. [Applause and laughter.]

I will say to the gentleman that when the 3-percent tax, the maximum tax on the employer under title VIII for old-age benefits, is reached it would have little effect upon the sale price. The average increase on all commodities per 1-percent tax is twenty-one hundredths of 1 percent. Let me say again to my beloved friend from Massachusetts—and he is my friend—he is a splendid type of American citizenship. [Applause.] Let me say to him that in 1980, from this old-age reserve account there will be expended approximately \$4,000,000,000. One billion dollars of that is annual interest increment, due to these payments throughout the years. That is a real economic stabilizer in buying power—a godsend to your worker friends.

TABLE 4.—The cost of a 1-, 3-, and 6-percent tax on pay rolls of wage earners and salaried workers¹ for selected industries in terms of value added by manufacture and total value² of products

Industry	Earnings (wages plus salaries ¹) (in thousands)	Total value of products (in thousands)	Value added by manufacture (in thousands)	Cost of pay-roll taxes per dollar of value of product		
				1936, 1-percent tax	1937, 3-percent tax	1949, 6-percent tax
Total.....	\$6,618,109	\$31,358,840	\$14,610,401	\$0.0021	\$0.0063	\$0.0126
Food and kindred products.....						
Beverages.....	771,829	6,604,036	2,393,021	.0012	.0036	.0072
Bread.....	10,450	111,297	69,424	.0017	.0051	.0102
Butter.....	221,683	919,778	491,313	.0024	.0072	.0144
Preserves.....	20,507	385,512	68,669	.0005	.0015	.0030
Cereals.....	54,834	439,568	171,568	.0012	.0036	.0072
Confectionery.....	9,065	111,026	56,011	.0008	.0024	.0048
Flour.....	29,614	211,833	97,669	.0014	.0042	.0084
Malt liquors.....	31,375	574,210	135,539	.0005	.0015	.0030
Distilled liquors.....	41,780	342,947	266,753	.0012	.0036	.0072
Meat packing.....	3,071	60,850	36,934	.0005	.0015	.0030
Textile products.....	144,954	1,490,095	287,546	.0010	.0030	.0060
Bags.....	1,154,186	4,811,238	2,351,403	.0025	.0075	.0150
Wool rugs.....	9,526	92,115	33,578	.0010	.0030	.0060
Women's clothing.....	20,863	71,425	41,393	.0029	.0087	.0174
	147,107	846,300	389,876	.0017	.0051	.0102

[See footnotes at end of table]

TABLE 4.—The cost of a 1-, 3-, and 6-percent tax on pay rolls of wage earners and salaried workers for selected industries in terms of value added by manufacture and total value of products—Continued

Industry	Earnings (wages plus salaries) (in thousands)	Total value of products (in thousands)	Value added by manufacture (in thousands)	Cost of pay-roll taxes per dollar of value of product		
				1936, 1-percent tax	1937, 3-percent tax	1949, 6-percent tax
Textile products—Continued.						
Men's clothing.....	\$165,813	\$445,220	\$230,580	\$.0024	\$.0072	\$.0144
Cotton goods.....	232,240	861,170	457,734	.0027	.0081	.0162
Dyeing and finishing.....	71,971	278,912	136,140	.0026	.0078	.0156
Hats.....	13,744	40,600	21,463	.0033	.0099	.0198
Knit goods.....	148,487	408,350	260,629	.0030	.0090	.0180
Shirts.....	29,267	119,717	60,050	.0024	.0072	.0144
Silk and rayon goods.....	82,065	290,578	146,967	.0028	.0084	.0168
Forest products						
Furniture.....	341,982	1,127,405	618,233	.0030	.0090	.0180
Mechanically processed wood.....	62,389	297,730	155,143	.0031	.0093	.0186
Paper and allied products						
Paper.....	11,942	41,523	23,777	.0029	.0087	.0174
Books and allied products.....	219,037	1,172,743	518,696	.0019	.0057	.0114
Boxes.....	7,153	49,379	20,083	.0014	.0042	.0084
Paper.....	47,532	223,004	96,678	.0021	.0063	.0126
Printing and publishing.....	100,440	569,961	249,196	.0018	.0054	.0108
Book binding and blank books.....	582,430	1,733,437	1,358,592	.0034	.0102	.0204
Printing:	50,038	56,011	40,325	.0036	.0108	.0216
Books, music.....	169,924	519,090	378,751	.0033	.0099	.0198
Periodicals and newspapers.....	332,352	1,004,999	820,299	.0033	.0099	.0198
Chemicals and allied products						
Druggists' preparations.....	311,549	2,117,513	1,149,070	.0014	.0042	.0084
Paints and varnishes.....	20,969	146,776	103,205	.0014	.0042	.0084
Patent and proprietary remedies.....	36,607	289,142	136,416	.0008	.0024	.0048
Rayon and allied products.....	15,003	138,145	99,913	.0011	.0033	.0066
Soap.....	43,706	156,932	112,001	.0028	.0084	.0168
Products of petroleum and coal						
Gas (manufactured).....	201,719	1,871,494	888,933	.0009	.0027	.0054
Refining.....	68,129	295,490	216,291	.0023	.0069	.0138
Rubber products						
Other than tires and shoes.....	111,560	1,378,637	314,200	.0008	.0024	.0048
Tires and tubes.....	125,440	472,744	261,347	.0027	.0081	.0162
Leather and its manufactures						
Boots and shoes.....	37,183	131,411	73,530	.0028	.0084	.0168
Leather, finished.....	70,648	239,313	159,921	.0024	.0072	.0144
Stone, clay, and glass products.....	254,071	998,773	452,036	.0025	.0075	.0150
Cement.....	159,884	583,425	267,122	.0029	.0087	.0174
Glass.....	48,909	237,202	99,025	.0021	.0063	.0126
Pottery.....	173,818	608,699	396,844	.0029	.0087	.0174
Iron and steel and their products (not including machinery)						
Blast furnace products.....	18,250	86,921	59,959	.0021	.0063	.0126
Bolts, etc.....	54,859	191,948	128,538	.0029	.0087	.0174
Steam and hot-water apparatus.....	21,001	43,718	31,539	.0048	.0144	.0288
Rolling-mill and steel-work products.....	21,001	43,718	31,539	.0048	.0144	.0288
Tin cans.....	2,433,001	2,433,001	1,062,171	.0025	.0075	.0150
Nonferrous metals and their products						
Aluminum products.....	13,774	213,685	79,729	.0030	.0090	.0180
Jewelry.....	9,762	32,874	17,524	.0037	.0111	.0222
Machinery (not including transportation equipment).....	25,693	69,234	49,173	.0037	.0111	.0222
Agricultural implements.....	304,099	1,143,889	451,800	.0027	.0081	.0162
Electrical machinery.....	27,004	207,946	70,900	.0033	.0099	.0198
Machine tools.....	212,723	1,068,753	427,528	.0020	.0060	.0120
Radio and phonographs.....	14,862	61,464	27,436	.0024	.0072	.0144
Textile machinery.....	14,344	42,652	25,869	.0034	.0102	.0204
Transportation equipment.....	695,549	2,069,419	1,280,230	.0034	.0102	.0204
Aircraft and parts.....	12,926	30,539	18,561	.0042	.0126	.0252
Motor-vehicle bodies and parts.....	163,874	553,431	340,917	.0030	.0090	.0180
Motor vehicles.....	18,735	41,434	30,590	.0045	.0135	.0270
Ship and boat building.....	37,903	121,802	63,281	.0031	.0093	.0186
Miscellaneous industry.....	23,855	60,323	41,045	.0040	.0120	.0240
Cigars and cigarettes.....	388,746	2,058,195	765,905	.0019	.0057	.0114
Miscellaneous industry						
Aircraft and parts.....	13,824	26,460	18,503	.0052	.0156	.0312
Motor-vehicle bodies and parts.....	174,188	761,225	321,592	.0023	.0069	.0138
Motor vehicles.....	129,292	1,096,946	329,179	.0012	.0036	.0072
Ship and boat building.....	41,331	92,696	61,524	.0045	.0135	.0270
Miscellaneous industry.....	258,566	2,312,635	679,043	.0011	.0033	.0066
Cigars and cigarettes.....	51,054	777,148	200,999	.0007	.0021	.0042

¹ Excluding officials.

² Census of Manufacturers, 1933, release of Jan. 23, 1935.

EXEMPTION FROM TAXATION

Now, I want to deal with the exemption features in title VIII. We have been actually criticized because agriculture, casuals, and domestics, and certain other people have been exempted from title VIII. I would like to know, and I am willing to yield in my time for reply, what Member of this House is willing to stand on this floor and say that agriculture, domestics, and casuals should be taxed for old-age benefits.

Mr. LUNDEEN. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. LUNDEEN. I would like to say that the millionaires and billionaires and the men who have fortunes and incomes over \$5,000 ought to be taxed.

Mr. VINSON of Kentucky. Oh, yes; and the gentleman would talk loudest and longest if the farmers of his section had to pay a tax under title VIII. Am I right or wrong?

Mr. LUNDEEN. If there is a farmer who has an income of over \$5,000, I would tax him.

Mr. VINSON of Kentucky. Oh, no. I am not talking of incomes over \$5,000. Do not dodge it, my friend. The amount of income is not involved in title VIII. If farmers were subject to the tax under title VIII, he would pay \$1 for each \$100 he earned; if it were \$10 he would pay 10 cents. Does the gentleman from Minnesota assert that the

farmer of his district should pay that tax? [After a pause.] The gentleman is eloquent as usual, but it is the eloquence of silence. I say to you there were real reasons why those exemptions were made.

Mr. LUNDEEN. Will the gentleman yield?

Mr. VINSON of Kentucky. I gave the gentleman an opportunity to answer. If I am wrong, I will give the gentleman time to answer it.

Mr. LUNDEEN. The gentleman will hear from me later on.

Mr. VINSON of Kentucky. The farmer, the casual, and the domestic were not taxed in this bill, because we knew that the House and Senate would not keep it in the bill. Nobody would want a farmer to pay a dollar a year for 45 years, with all of the nuisance features attached thereto, with all of the cost of administration. Suppose a man plowed for a farmer for a day, and he paid him a dollar a day, the employer would have to take out a penny and give him 99 cents for his day's work.

Then at the end of the road he would not have accumulated enough money to have paid for any substantial old-age benefits.

This bill exempts the farmer, exempts casuals, and exempts domestics, because the amount of the tax would be inconsiderable and its collection would be such a nuisance and cause such a clamor that the very ideal of the struc-

ture—the ideal to which the President refers—would be endangered. It would be too ambitious; no comparable benefits would come from it. No Member on the floor of this House, seriously understanding the bill, is going to complain about not taxing the farmer, the domestic, and the casual and the others exempted under the bill.

Mr. LEWIS of Maryland. Mr. Chairman, will the gentleman yield for a suggestion?

Mr. VINSON of Kentucky. I yield.

Mr. LEWIS of Maryland. Did not the administrative authorities, in fact, the present Secretary of the Treasury, appeal to us not to extend it into those fields at this time because he felt that its administration would break down?

Mr. VINSON of Kentucky. Yes, sir. He said that in his opinion it would be very difficult if not impossible of administration. In other words, I repeat, if you had put that in there, it would have been analogous to the situation that obtains in regard to the ambitions of certain folks under the N. R. A. legislation. You would have such confusion and such clamor that the good in the legislation well might be destroyed.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. BUCK. Will not the gentleman add to his statement also that for the same reasons seamen were exempted?

Mr. VINSON of Kentucky. They were exempted in unemployment insurance because there is no power under State law to collect the tax from them. They come under maritime or admiralty jurisdiction, and the State sovereigns have not the power to collect the taxes.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. McCORMACK. Seamen are exempted under the employment-compensation title because of constitutional reasons that do not apply to the contributory annuities.

Mr. VINSON of Kentucky. That is what I just said. They were exempted under title VIII because of administrative difficulties.

Mr. McCORMACK. If the gentleman will yield for one suggestion, I would like to point out that the pending bill provides that should a person die before reaching the age which entitles him to participate in the benefits, that 3½ percent of his salary is payable to his estate. So, in effect, he gets it back.

Mr. VINSON of Kentucky. That is correct. Now, let us see what these benefits are. I made the statement when I was discussing title I that more liberal benefits could come from title I, more liberal and larger old-age pensions could come from title I, than any citizen of any other country of the world has ever received as an old-age pension. I make the statement that in some of the countries of Europe for more than 50 years have had the contributory annuity system. Germany started hers in 1881. There are 15 or 20 countries throughout the world which have contributory systems, and only 2 of which also have noncontributory systems, these 2 being France and England. In days past other countries had the noncontributory system that is similar to our title I, old-age pensions, but that broke down and they were compelled to come to the contributory system. I say to you here and now that benefits under title II are larger, in many instances several times larger, per month than the benefits other countries give to their citizens.

I come now to the maximum of \$85 a month. It is very simple in computation; anyone can know what their benefits will be simply by knowing the total wages he has earned from January 1, 1937, to the time he reaches age 65. If you have earned \$3,000 annually during a period of 5 years, your benefit will be one-half of 1 percent per month the rest of your life—in other words, \$15 per month. This compares splendidly with benefits paid by European countries. But we do not stop there. Between the total wage of \$3,000 and \$45,000 you add to that \$15 per month one-twelfth of 1 percent of \$42,000, or \$35 per month. If a person earned over a period of 40 years \$42,000—counting in no one year more than \$3,000—he would have an annuity of \$50 a month.

Now, if it goes up to the maximum of \$3,000 a year for 45 years, the annuity is \$85 a month.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?
Mr. VINSON of Kentucky. I yield.

Mr. DONDERO. Would a person be entitled to both old-age insurance and benefits under this particular title after he reached the age of 65?

Mr. VINSON of Kentucky. Undoubtedly, if the benefit under title II were not sufficient under the law of the State where the person lived he would be entitled to supplement the benefits under title II with the old-age pension under title I.

VOLUNTARY ANNUITIES

At one time we had what we called the "voluntary annuity plan." I may say that in the original bill, H. R. 4120, those who earned more than \$250 a month were not entitled to the benefits under what would be title II of this bill, but that the plan was changed and the basis adopted was the first \$3,000 per year of total wages. If a man earns \$10,000 a year, he pays a tax upon \$3,000, under title VIII. Only \$3,000 is counted in wages earned.

Now, as suggested by the Economic Security Committee, voluntary annuities up to \$50 a month were suggested. Some thought that would be an invasion of private business in the insurance field. In connection with this new arrangement, there is not such particular need for the voluntary annuity plan, since you include many who would have been excluded originally, and you can have an annuity of \$85 a month. Many of us think the time will come when the voluntary annuity plan which rounds out the security program for the aged will be written into law.

TITLES III AND IX.—UNEMPLOYMENT COMPENSATION

Two titles of the bill deal with unemployment compensation, less accurately called "unemployment insurance." Title III provides Federal grants in aid to the States for the administration of unemployment-compensation plans. Title IX levies a tax upon employers against which contributions to State unemployment-compensation plans may be credited up to 90 percent of the Federal tax. This tax is designed to remove the principal obstacle to the adoption of State unemployment-compensation systems by providing a uniform tax upon employers throughout the country for this purpose. The principal features of this tax are as follows:

First. Coverage: Employers of 10 or more employees within 20 weeks of any year, with the same exemptions as the tax, to pay for old-age benefits.

Second. Rates: 1936, 1 percent; 1937, 2 percent; 1938, and thereafter, 3 percent.

Third. Credit of up to 90 percent of tax allowed for payments to State unemployment-compensation plans under the following conditions:

(a) Compensation to be paid through public employment offices.

(b) No compensation to be payable until after 2 years.

(c) State unemployment fund to be deposited with the unemployment trust fund of the United States Treasury.

(d) State fund to be used exclusively for unemployment compensation.

(e) Compensation not to be denied any eligible person for refusal to accept work if, first, the position vacant is due to a strike, lockout, or labor dispute; second, the wages, hours, or conditions of work are substantially less favorable to the worker than those prevailing in the locality; or, third, if the worker would be required to join a company union or to refrain from joining a bona fide labor organization.

(f) State to retain the right to repeal or modify its system.

(g) The State unemployment-compensation fund must be a general, State-wide, pooled fund.

Federal aid to the States for the administration of unemployment-compensation plans is provided in title III of the bill. It is assumed that this will be sufficient to pay the cost of administering the State unemployment-compensation plans, no matching by the State being required. The 10 percent of the Federal pay-roll tax for unemployment compensation, which is not subject to a credit and must be paid into the United States Treasury, will about equal the Federal

aid for this purpose. In order to qualify for this aid the State plans for unemployment compensation must conform to the following conditions:

First. "Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due";

Second. Payment of unemployment compensation through public employment offices in the State;

Third. Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied;

Fourth. The payment of all money received in the unemployment fund of such State to the Secretary of the Treasury to the credit of the unemployment trust fund established in the United States Treasury;

Fifth. Expenditure of this money exclusively for unemployment compensation;

Sixth. The making of reports to the Social Security Board;

Seventh. Making available employment records of individuals to any agency of the United States charged with the administration of public works or assistance.

If the Social Security Board finds that a State is failing substantially to conform to these conditions it may, after notice and opportunity for hearing, refuse to certify a State for further grants-in-aid for this purpose.

These two measures are designed to encourage the States to enact unemployment-compensation legislation. The uniform tax throughout the country will remove the principal obstacle. The Federal aid will permit a necessary minimum of Federal assistance and supervision.

TITLE IV—DEPENDENT CHILDREN

For the first time in the history of our Federal Government it is proposed to assist the States in the preservation of the home. It has been and it is now recognized to be the primary function of the State. The home is the foundation rock of our Government. Under existing State laws, approximately 109,000 families with 280,500 children are now provided some mothers' assistance. Three and one-half times this many families fall within a group roughly comparable to the mothers' pension group, namely, families of widowed, separated, or divorced mothers with dependent children under the age of 16 years, which are estimated to be receiving emergency relief. In the 358,000 relief families of this type, it is estimated that there are 719,000 children under the age of 16 years. Many other thousands of children are in orphan asylums and children's homes, separated from their mothers or close relatives who could act in loco parentis except for financial need.

It occurs to me that it would be a waste of effort to stress the benefit that will come to the dependent children in the enactment of this title. The gentleman from New York, Dr. SROVICH, portrayed the picture and the benefits flowing from the legislation in such an eloquent and forceful manner that it seems unnecessary for me to urge it further.

The approximate annual expenditures for mothers' pensions is \$37,200,000, of which about \$6,000,000 comes from State funds, the remainder coming from local governmental units. Crude estimates of expenditures from emergency relief funds, of which approximately three-fourths comes from the Federal Treasury, for relief of families headed by widowed, separated, and divorced women, total \$120,000,000; more than three times the amount spent for mothers' pensions.

This bill authorizes an appropriation of \$24,750,000 for the first fiscal year and for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The President's committee was of the opinion that it would require an estimated sum of \$25,000,000 for the second fiscal year and not more than \$50,000,000 per year thereafter as the program developed. This is an inconsiderable sum in comparison with the benefit upon the children of today who have suffered so horribly in the depression years.

The Federal Government, under this legislation, will pay to each State which has an approved plan for aid to dependent

children a sum equal to one-third of the total amount expended by said State with respect to any dependent child. The maximum Federal payment is \$6 per month for the first dependent child and \$4 for other dependent children. This insures a maximum benefit of \$18 per month for the first child and \$12 per month for each additional child.

At the present time 45 States of the Union have mothers' aid or mothers' pensions, but in many of these States the law is only partially operated—effective only in the richer counties. The State of Connecticut, which provides an average monthly grant per child of the sum of \$18.70, is the only State in the Union which at the present time has a grant more than \$18 per child per month. New York pays \$17.30, Massachusetts \$17.20. While the payments are made to the States on a matching of \$2 on the part of the State to \$1 Federal grant, State participation in this work in materially increased amounts would provide real home life for these unfortunate children.

The enactment of this title would not involve any larger expenditures than the Federal Government has been making for the support of these families on relief, but will very materially aid the States in caring for this group of their unemployables, for whom they must now assume responsibility.

I insert herewith table furnished me by the Economic Security Committee, which gives a comprehensive picture of the present status of State laws affecting dependent children.

TABLE 5.—Estimated average monthly grant in areas granting mothers' aid, based on annual or monthly expenditures from mothers' aid grants during 1933 and 1934

State	Average monthly grant per family	Average monthly grant per child
Alabama.....	(¹)	-----
Alaska.....	(¹)	-----
Arizona.....	\$16.46	\$4.60
Arkansas.....	(²)	-----
California.....	26.89	14.80
Colorado.....	22.60	8.60
Connecticut.....	44.41	18.70
Delaware.....	22.26	9.05
District of Columbia.....	60.14	-----
Florida.....	9.76	3.01
Georgia.....	(³)	-----
Hawaii.....	(⁴)	-----
Idaho.....	13.08	4.89
Illinois.....	24.62	10.35
Indiana.....	22.03	7.61
Iowa.....	17.01	6.54
Kansas.....	14.05	3.16
Kentucky.....	28.26	14.72
Louisiana.....	8.81	3.39
Maine.....	29.60	12.16
Maryland.....	36.66	14.10
Massachusetts.....	51.83	17.28
Michigan.....	28.31	11.32
Minnesota.....	26.37	-----
Mississippi.....	(⁵)	(⁶)
Missouri.....	26.22	8.91
Montana.....	24.00	9.04
Nebraska.....	13.62	5.27
Nevada.....	17.98	7.06
New Hampshire.....	26.42	9.03
New Jersey.....	26.43	8.60
New Mexico.....	(⁷)	(⁸)
New York.....	42.77	17.30
North Carolina.....	15.93	5.17
North Dakota.....	22.07	7.51
Ohio.....	19.77	7.21
Oklahoma.....	7.22	1.99
Oregon.....	19.80	9.12
Pennsylvania.....	34.61	11.80
Puerto Rico.....	(⁹)	-----
Rhode Island.....	47.00	13.37
South Carolina.....	(¹⁰)	-----
South Dakota.....	21.78	7.17
Tennessee.....	24.91	9.48
Texas.....	12.07	4.25
Utah.....	10.64	(¹¹)
Vermont.....	17.86	8.49
Virginia.....	20.76	8.18
Washington.....	17.35	5.53
West Virginia.....	13.20	4.77
Wisconsin.....	25.82	10.13
Wyoming.....	22.55	4.17

¹ No mothers' aid law.

² No report.

³ Aid discontinued.

⁴ Average grant in 1931.

⁵ Mothers' aid available only in Jefferson County.

⁶ Law not in operation.

⁷ Mothers' aid available only in Knoxville and Memphis.

⁸ \$4.05 plus.

MATERNAL AND CHILD WELFARE (TITLE V)
Maternal and child health

Part 1 of this title provides for Federal grants and aid to States to help them extend and improve their service in promoting the health of mothers and children. Twenty thousand dollars is to be allotted by the Secretary of Labor to each State, and \$1,800,000 is to be divided among all the States on the basis of the number of live births in each State in proportion to the total number of live births in the United States. The remaining \$980,000 is to be allotted by the Secretary of Labor according to the financial need of the States for assistance in carrying out the State plan. All State allotments, except those on the basis of need, are to be granted on an equal-matching—50-50—basis.

The able Chief of the Children's Bureau, Miss Katherine Lenroot, presented the experiences of that Bureau in previous administration of Federal aid in maternal and child-health work. This work presents no new departure. Experience has indicated that it is needed. Before the depression the infant death rate had been markedly reduced in every State in the Union. However, during the depression, between 1932 and 1934, there has not been the usual annual decrease—the rate remaining stationary.

The maternal-mortality picture is similar, but it is well known that the death rate among mothers has not decreased in anything like the proportion that the death rate among infants has decreased. This causes us to feel that increased facilities for maternal care and maternity nursing services are essential, not only for saving the lives of mothers, who are so necessary, both for their new-born and the older children in their family. The most effective way of reaching the problem of infant and maternal mortality is the development of public-health nursing services in connection with the public-health departments. All of the work under this title is done through State departments of health and the entire control of policies is reserved to the States.

In the following table, I am showing the amount which will be granted to each State per million dollars of appropriation.

TABLE 6.—Apportionment under title V, Maternal and Child Health, secs. 501-505

[Apportionment of \$1,000,000 distributed on the basis of live births reported in 1933. Alaska apportionment based on live births reported for the 2-year period 1931-32; Hawaii and Puerto Rico, 1932]

Total	\$1,000,000.00
State:	
Alabama	27,478.45
Alaska	592.75
Arizona	3,762.55
Arkansas	16,578.39
California	34,747.93
Colorado	7,955.77
Connecticut	10,390.20
Delaware	1,818.21
District of Columbia	4,610.00
Florida	11,885.50
Georgia	28,240.68

TABLE 7.—State and local public funds for care of crippled children¹

State	Total	State funds for		Local funds supplementing State funds	Public expenditure per 100,000 population	Agency administering
		Clinics, treatment, and rehabilitation	Maintenance of State hospital service			
Alabama	\$5,000	\$5,000			\$189	State board of education.
Arkansas	9,250		\$9,250		499	Trustees of Children's Home and Hospital.
California	36,478	10,000		\$26,478	643	State department of health.
Connecticut	84,000		\$84,000		5,227	Board of trustees of Newtoning Home for Crippled Children.
Florida	50,000	50,000			3,300	Commission for crippled children.
Illinois		(¹)	\$80,558			Department of health.
Indiana			(¹)	(¹)		State university hospital.
Iowa			(¹)			Do.
Kansas		5,000				Crippled children's commission.
Kentucky	110,000	110,000			4,207	State board of health; crippled children's commission.
Maryland		(¹)	\$28,000	\$48,889		Board of State aid and charities; department of health.
Massachusetts	180,824	15,000	175,824		4,255	Department of public welfare.
Michigan		\$1,000	\$600,000			Crippled children's commission; State university hospital.
Minnesota			\$201,760			State department of institutions.
Mississippi	17,800	\$17,800			871	State board of education.

[See footnotes at end of table]

TABLE 6.—Apportionment under title V, Maternal and Child Health, secs. 501-505—Continued

State—Continued.	
Hawaii	\$4,859.14
Idaho	3,962.61
Illinois	49,971.34
Indiana	23,376.45
Iowa	18,326.53
Kansas	14,242.13
Kentucky	25,620.09
Louisiana	18,408.64
Maine	7,003.21
Maryland	12,707.01
Massachusetts	29,380.33
Michigan	37,474.10
Minnesota	20,613.70
Mississippi	20,502.56
Missouri	26,524.03
Montana	4,145.99
Nebraska	11,199.67
Nevada	628.65
New Hampshire	3,419.87
New Jersey	25,960.92
New Mexico	5,697.78
New York	88,669.77
North Carolina	34,926.63
North Dakota	6,107.61
Ohio	44,355.52
Oklahoma	20,235.36
Oregon	5,660.27
Pennsylvania	72,725.40
Puerto Rico	30,764.02
Rhode Island	4,793.84
South Carolina	18,671.08
South Dakota	5,954.79
Tennessee	23,222.71
Texas	49,989.86
Utah	5,515.32
Vermont	2,839.16
Virginia	23,734.88
Washington	9,670.11
West Virginia	16,792.80
Wisconsin	23,343.57
Wyoming	1,948.19

Crippled children

Part 2 of the title provides for services for crippled children and authorizes Federal grants to help the States extend and improve their services for discovering crippled children, and providing such children with medical, surgical, corrective, and other services and care in connection with their physical disability.

I am personally familiar with this type of service. In my State it has been under the supervision of the crippled children's commission, of which former United States Senator Ben Williamson has been chairman since its creation. Hundreds of children who were permanently disabled have been so far restored that they have been able to walk and play and to return to school to take their part in normal life. Careful surveys have shown that in Kentucky, and most other States, less than 40 percent of the crippled children who are in need of correction cannot be served on account of the limitation of funds. These additional grants-in-aid will restore hundreds of crippled children to usefulness and happiness.

TABLE 7.—State and local public funds for care of crippled children—Continued

State	Total	State funds for		Local funds supplementing State funds	Public expenditure per 100,000 population	Agency administering
		Clinics, treatment, and rehabilitation	Maintenance of State hospital service			
Missouri.....	\$30,000		\$30,000		\$1,378	State university hospital.
Montana.....	13,200	\$13,200			2,455	Orthopedic commission.
Nebraska.....	145,114		145,114		10,531	University hospital.
New Hampshire.....	3,000	3,000			645	Department of public welfare.
New Jersey.....	115,850	15,000		\$100,850	2,867	Department of health; crippled children's commission.
New York.....	1,135,970	321,405	493,160	321,405	9,024	Department of education; department of health.
North Carolina.....	108,800	8,000	100,800		3,432	Department of health; State orthopedic hospital.
North Dakota ¹						State board of control.
Ohio.....	295,836	17,772		\$278,064	5,433	Department of public welfare.
Oklahoma.....	179,188		179,188		7,438	State University Hospital.
Oregon.....			(²)	(²)		Do.
Pennsylvania.....	123,210	25,000	98,210			Department of public welfare; department of health.
South Carolina.....	10,112	10,112			582	State department of health.
South Dakota.....	2,500	2,500			361	State board of health.
Tennessee.....	\$10,000	\$10,000				Department of institutions.
Texas.....	45,300	20,000	25,300		675	State orthopedic hospital (University Hospital); department of education.
Vermont.....	8,000	8,000			2,224	Department of public health.
Virginia.....	25,000	25,000			1,032	State board of health.
West Virginia.....	85,000	85,000			4,916	Department of public welfare.
Wisconsin.....			(³)	(³)		State orthopedic hospital; board of control; department of education.

¹ Figures given are appropriations except in Massachusetts and New York, and local funds in California, which are expenditures. Figures for the year 1933 used for 13 States and for 1931, 32 or 34 in others. (Exclusive of vocational rehabilitation funds.)
² Rate calculated only when public expenditures were known to be fairly complete.
³ State aid given to private hospital.
⁴ Amount not known.
⁵ This figure to be verified.
⁶ Care provided in State university hospital, cost paid entirely or partly by counties.
⁷ Care provided in State university hospital, cost paid by State.
⁸ State aid and local contributions to two orthopedic hospitals.
⁹ Estimate based on total appropriation for both ill and crippled children.
¹⁰ In addition some children receiving care in State university hospital paid for jointly by State and county.
¹¹ Includes medical care of crippled adults.
¹² No funds available in 1934.
¹³ Exclusive of Cuyahoga County.
¹⁴ Approximate expenditures.

Child welfare

Part 3 of the title authorizes the appropriation of \$1,500,000 to enable the United States, through the Children's Bureau, to cooperate with State public-welfare agencies in the work of establishing and extending public-welfare services for the protection and care of dependent, homeless, and neglected children, and children in danger of becoming delinquent.

The money authorized hereunder is to be divided as follows:

Ten thousand dollars is to be allotted to each State and the balance to be divided among the States in the proportion which the rural population bears to the total rural population of the United States.

State welfare agencies are required to investigate many conditions requiring special welfare service for children, such as situations of extreme neglect in homes, feeble-mindedness in parents and children, cruel and abusive parents, illegitimate children without competent guardians, children who are delinquent and come before the juvenile court, and many other types of problems.

The basic service necessary to deal with these situations is a child-welfare service which makes available skilled investigation as to the needs of the child and the use of whatever agency in the community or the State may be adapted to the particular situation. The development of such social service is of extreme importance, especially in the rural areas and in the areas suffering from extreme distress and destitution.

Vocational rehabilitation

Part 4 of this title provides permanent legislation for the work which has been undertaken by the Federal Government under temporary authority extended from time to time.

This is in no sense new work, but continues and expands worthy work which has been prosecuted quite successfully.

TITLE VI. PUBLIC HEALTH

Mr. Chairman, when we come to the consideration of title VI, we are speaking of work which is not in any sense experimental, work for the folks about which I know something

personally. I wish every Member of Congress could have had the opportunity to see this work at first hand as I have had. I am carefully weighing my words when I say that no dollar of the taxpayer's money, local, State, or Federal, in my opinion, receives as much dividend as the money that is appropriated for the support of county health units.

I lived in Kentucky before we had county health units. I have lived there while they have been operating, and I live there now. It is the most remarkable piece of work for humanity that I have ever had the opportunity to observe, and I want to repeat that I know of no dollar of the taxpayer's money that gets the results in Kentucky as this particular money; that is, if health and life have any value—to me they have.

This plan of full-time county health departments was first developed in Kentucky, and the first county health unit in the United States was established in Jefferson County in 1907 and 1908. In 1911 similar departments were developed in North Carolina and the State of Washington, and the second department in Kentucky was in Mason County, which is in my district; and the fourth was in Boyd County, which is also in my district. Nineteen of the 20 counties in my district now have fully developed and active health departments. Seventy-eight of the 532 full-time county health departments in the United States are in Kentucky. There remain 2,468 counties in the United States without county health departments. Ohio, North Carolina, Maryland, Oregon, Montana, Alabama, and other States have made similar progress, and the great States of Pennsylvania, Vermont, and New York have had like development in the form of public-health districts.

All of these departments, in all of the States, have been developed under the supervision of the United States Public Health Service, with Federal aid or aid from the Rockefeller Foundation. However, in their development there has been no weakening of State and local authority. That this title is developed along sound lines, after years of research and demonstration, is indicated by the monumental report of the New York State Health Commission to its then Governor, the Honorable Franklin D. Roosevelt, entitled "Public Health in New York State", and published in Albany in

1932. In appointing this committee, Governor Roosevelt said:

As an agency for serving the needs of the people, government should not be a static force, but should evolve to meet a changing and developing body of knowledge. This is particularly true in the field of public health in which, during the past decade or two, the far-reaching development of scientific facts upon which governmental action is based makes particularly necessary a periodic examination of the extent to which the State is meeting the needs of the people in this vital field.

He further quoted, with approval, a statement made by the respected Dr. William H. Welch, late dean of American medicine:

While public health is the foundation of the happiness and prosperity of the people and its promotion is recognized as an important function of government, how wide is the gap between what is achieved and what might be realized; how inadequate is the understanding of the public concerning the means adopted to secure the best results?

He requested this commission—

to take into consideration the activities of State and local health authorities and their relations one to another, the recent progress in public health in other States and abroad, and to examine critically the extent to which the health needs of the people were being met.

The recommendations of the Roosevelt New York commission in regard to State aid are not only so pertinent to the discussion of that important policy, but apply so forcefully to the whole question of Federal aid, that I am quoting it in its entirety, substituting "Federal" for "State":

Careful consideration has been given to the policy of Federal aid in public health which has been in operation for more than a decade. The conclusion has been reached that Federal aid is a necessary policy, particularly for rural areas and in the development of new health activities.

Public health problems are never wholly local. For example, the existence of a communicable disease threatens other communities besides that in which it arises. There are very practical reasons, therefore, why the United States should give financial and technical advice to stimulate better local health conditions should precedent for it be found in other phases of community welfare. In fact, the commission is of the opinion that the only alternative to Federal aid for rural health service is operation by the Federal Government itself of direct health services to the people. Those who believe that Federal aid is undesirable must concede that its inevitable alternative is even less desirable from the standpoint of preserving local responsibility in the administration of health work.

Under the present conservative policies of granting Federal aid for county nursing services and county health departments in rural areas and similar health services, much has been accomplished in promoting the public health which otherwise would not have been done.

The commission recommends, therefore, that Federal aid be continued for the development and operation of local health activities.

The whole matter of local health service is summed up by the New York commission briefly and forcefully as follows:

Three successive legislative enactments indicate an increasing official recognition that the care of the public health is a responsibility of government and that it is more than a local responsibility.

Equally well said:

In the modern health program, qualified health officers, nurses, engineers, laboratorians, and other professional personnel on a full-time basis are essential if satisfactory service is to be expected.

In summing up its recommendations in regard to local health service, the Roosevelt commission said:

The United States Public Health Service, as a result of exhaustive studies of rural health needs, for many years has actively sponsored the county health idea through financial aid to demonstration counties and otherwise. This program has received the endorsement of the physicians of the country through resolutions of the house of delegates of the American Medical Association.

The Rockefeller Foundation, created "to promote the well-being of mankind throughout the world", has directed the major energies of its international health division to the development of local health departments on a county basis with full-time qualified personnel. It is significant that this great philanthropic organization, with the world as its theater of action and with the well-being of mankind its concern, centers its activities so largely upon health and its health activities so largely upon the county health unit.

The recent White House conference on child health and protection, after reciting the needs of childhood in health education

and welfare, concludes its "children's charter" with a forceful statement of the organization necessary to give effect to the principles of child-health conservation: "To make everywhere available these minimum protections of the health and welfare of children, there should be a district, county, or community organization for health, education, and welfare, with full-time officials, coordinating with a State-wide program. . . . This should include trained full-time public-health officials, with public-health nurses, sanitary inspectors, and laboratory workers" The health section of the League of Nations has devoted much consideration to the rural health problems of the world and has done much to promote local health service and improve the qualifications of health officers in many different countries.

The national leaders of both political parties have expressed approval of the plan.

There is authorized under this title an annual appropriation of \$8,000,000 to be allotted to the States for the purpose of developing local health services through the State health departments.

The amount of the allotments are to be determined on the basis of first, population; second, special health problems; third, financial need of the respective States.

I have heretofore testified as to the splendid services performed by the county health departments of my State. Those who do not have such units cannot appreciate the real value of such work. With your permission, I insert excerpts from the testimony before the committee with reference to this splendid work.

STATEMENT OF DR. C. E. WALLER, ASSISTANT SURGEON GENERAL, UNITED STATES PUBLIC HEALTH SERVICE

Mr. TREADWAY. You are assistant to Surgeon General Cumming? Dr. WALLER. Yes, sir; in charge of the State's Relations Division of the Public Health Service.

Before I start on the functions of a county health unit, Mr. Chairman, I think I have approximately the answer to the first question that Mr. Vinson asked. He wanted to know what percentage of our total appropriation goes for health work. I may say that it is slightly over a million dollars, or a little over one-tenth of the total appropriation to the Public Health Service.

Mr. VINSON. That actually goes into public-health work?

Dr. WALLER. Yes, sir.

With respect to the functions of a county health unit, I should like to say, in the beginning, that the work of a county health unit is preventive in character. It is not for the purpose of providing medical care. In that respect it does not interfere in the slightest degree with the medical profession.

Mr. TREADWAY. You mean the local medical profession?

Dr. WALLER. The practicing physician. In fact, it has the opposite effect. The educational activities of a county health unit make more work for the practicing physician in that they bring our needs for medical care that otherwise would not be discovered, and direct cases into the hands of the private physicians.

The education work carried on by these units stimulates parents into having their children vaccinated against diphtheria, typhoid fever, and smallpox, and this work is added to the work that the practicing physician is called upon to do.

The personnel of a county health unit consists, first, of the full-time medical health officer, who is the director of the unit. This health officer is not just an ordinary practicing physician. He has to have special training in preventive work. That is his specialty, and it is just as much a specialty as is the specialty of practice on the eye, ear, nose, and throat, or the specialty of surgery.

In addition to this director of the unit, we have public-health nurses on the staff. We also have sanitary engineers or sanitary inspectors as members of the staff, and then, finally, we have the clerical personnel that must be particularly skilled in the handling of vital statistics, records, and so forth.

As to the functions of the unit, one of the primary functions is the control of communicable diseases. The health officers and nurses carry out the quarantine procedures in the control of cases of communicable diseases, to prevent the further spread of these diseases from cases that have occurred.

One of the most effective means that they employ in the control of communicable diseases consists in urging parents to have their children vaccinated against diphtheria, scarlet fever, typhoid fever, smallpox. Typhoid fever and diphtheria today are almost entirely preventable, and it is now regarded almost a disgrace for any community to have an outbreak of either of these diseases.

Just lately we have also discovered a means of immunizing children against scarlet fever. We have a new immunizing agent that can be used successfully for this purpose. It has been shown by officers of the Public Health Service to be almost as effective as the toxoid against diphtheria.

Mr. VINSON. Your statement, Doctor, is eminently true, but it is a statement in generalities. It does not paint the picture that I want to present to the committee. I wanted you to tell this committee and the House just how they operate in these county health units. I should like the committee to know how they get into their automobile and travel out into the school districts, and hold

a clinic out there for these vaccinations and inoculations. They go through the districts and get samples of the water supply, and all that sort of thing. Those are the things that actually do the work.

Of course, what you said was true, as far as it went.

Mr. TREADWAY. Suppose we put the gentleman on the stand.

Mr. VINSON of Kentucky. I am perfectly willing to testify, because I have had personal observation and knowledge of how those things work in my own country. It is the hardest-working crowd that I know about. They go out into these school districts and they vaccinate all the children that have not been vaccinated. Of course, that is a continuing proposition.

Then they go back and give them a second vaccination or a third vaccination, whatever the number of times is that they have to vaccinate these children. In other words, they carry this preventive medicine into the roots of our rural society and, to my mind, it is the most splendid work that the Federal Government participates in. In Kentucky it is done in cooperation with the medical profession, I am very happy to testify.

Mr. TREADWAY. May I ask Mr. VINSON, or let me ask the doctor, whether the testimony that our colleague has just given correctly represents the work of the public-health units in the 580 counties that cooperate with the Federal Government?

Dr. WALLER. Yes, sir.

Mr. TREADWAY. That is a correct picture, is it not?

Dr. WALLER. Yes, sir.

Mr. TREADWAY. Therefore you are willing to corroborate the testimony given by our colleague, and you are willing to have it made a part of your own testimony as a description of the work of the Public Health Service?

Dr. WALLER. I think, so far as he has gone, he has told the story better than I could tell it.

Mr. TREADWAY. I thought perhaps you would say that.

Mr. VINSON of Kentucky. Let us testify some more. Not only do they do these things, but they make examinations of children who otherwise would not be examined for physical defects, and call that condition to the attention of their parents. You have mentioned how they bring these matters to the attention of the parents. Not only is the child improved when the defect is corrected, but you have the happiness of parents, all growing out of that activity.

Dr. WALLER. Exactly.

The CHAIRMAN. In that connection, it is also part of their work frequently to look after the dental needs of the children, is it not?

Dr. WALLER. That is quite an important part of the work.

The CHAIRMAN. I know it is in the country where I live.

Dr. WALLER. That is an important part of the health program of these units in the schools.

Mr. TREADWAY. Doctor, I am glad to know that we have one expert on this committee in connection with a part of this bill at least. I wish we were sure we had experts on all of it.

THE WORK OF THE COMMITTEE

Mr. Chairman, I desire to express again my appreciation to the House for the privilege of serving on the Ways and Means Committee, particularly during the 3 months that have been so intensely devoted to a study of what history will probably consider the greatest piece of humane legislation that has been before any one of the 74 Congresses since the Constitution was adopted. During these 3 months I have had the pleasure of that close personal contact with our able and distinguished chairman and members of the committee that has enabled me to properly appreciate and evaluate their interest and their worth. As we approach the termination of general debate on this epochal measure, I wish to pay particular tribute to the great Chairman of the Ways and Means Committee, the gentleman from North Carolina [Mr. DOUGHTON]. Sprung from the soil of the rugged mountains of North Carolina, acquainted with the rugged simplicity of mountain life, and knowing the problems of the folks on the hillside and in the hollows along the creeks, he has approached the consideration of the several titles of this bill with a profound knowledge of the real folks who sent him to represent them in Congress. In my whole public experience I have never known more devoted service. Sincere, interested, impartial, unbiased, capable, he has proceeded in extracting his real views from every witness; and in trying to make this measure as broad and as useful to the folks back home as was intended when our great President wrote the message which provided the underlying philosophy for this legislation. The gentleman from North Carolina is a most distinguished statesman, coming from a State which has produced leaders since the days of the Revolution, and he has earned the confidence and gratitude not alone of the people of his own district and State, but of every district and State in this Union.

Being a mountaineer myself, I particularly enjoyed the fine, humane philosophy of two great mountaineers on this

committee—the gentleman from North Carolina [Mr. DOUGHTON] and the gentleman from Maryland [Mr. LEWIS]. Mr. LEWIS was the chairman of the subcommittee in the last session which held extended hearings on the subject of unemployment compensation. I am sure that I represent the attitude of every member of the Ways and Means Committee when I testify to the tremendous value, not only of those hearings, but of the learning and interest displayed by these gentlemen in the perfection of the bill. You have heard their great addresses before this Committee of the Whole House and to what they have said on these subjects, but little can be added.

I desire also to pay a particular tribute to all the other members of the committee. They have been constant in their attendance at the meetings of the committee and took an active part in the formulation of the legislation and the reports bearing upon it.

In my sincere judgment no bill ever received more intensive study and effort by any committee in any Congress than has this measure.

I also desire to express the profound appreciation which the committee feels to its permanent staff and to the legislative counsel and the technical staff of the Joint Committee on Internal Revenue and Taxation who, because of their expert knowledge, have been of invaluable assistance in the preparation of this bill. I would not overlook Tom Elliot, Assistant Secretary of Labor, who rendered most valuable service.

Mr. Chairman and gentlemen, for 3 months we have been laboring during most of the hours of the day and during many of the hours of the night in consideration of the tremendous accumulation of information, the study of which has been necessary to enable us to prepare and support this legislation. It is presented to you as the first great step toward economic security for the masses of America.

TRULY A SECURITY BILL

This measure, H. R. 7260, comes to the Congress with two messages from our President. On June 8, 1934, with a message that resounded throughout our land—the great security message—the President said “among our objectives, I place the security of the men, women, and children of the Nation first.

Security is the central theme of this program. Security is the name of each corner rock which upholds this structure. We see security for the aged in pensions and benefits, security for children in those sections dealing with dependent children, crippled children, and child welfare. Caring for each end of the life span, the youth and the aged, we next find in this measure, security in health in the maternal and child-health sections thereof, and also in the separate title that treats of the development of local health units together with the research activities that will mean added health security to the citizenship of our country. Then we find titles looking toward security in employment, which with the benefits provided for the aged, not only perform a humane obligation, but provides a stabilizer and gives added security to the economic future of our country.

Security is the thread that runs throughout this legislation. The philosophy that the strong will care for the weak, that the more fortunate will lend a helping hand to their less fortunate brothers and sisters.

For the first time in the history of our American Government there is presented for consideration a well rounded out social-security program. We recognize that the experience of the years will call for supplementary legislation, yet we urge its passage as the first substantial step toward a worthy goal.

We urge with all the seriousness at our command that our colleagues hesitate long before they strike at its just and carefully considered provisions. [Applause.]

[Here the gavel fell.] •

The CHAIRMAN. All time has expired.

Mr. REED of New York. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record and to include therein an analysis of the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. LUNDEEN. Mr. Chairman, I ask unanimous consent to extend my remarks and to include a statement concerning constitutionality as published in the Labor Committee hearings.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted, etc.,

TITLE I—GRANTS TO STATES FOR OLD-AGE-ASSISTANCE
APPROPRIATION

SECTION 1. For the purpose of enabling each State to furnish financial assistance assuring, as far as practicable under the conditions in such State, a reasonable subsistence compatible with decency and health to aged individuals without such subsistence, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$49,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Social Security Board established by title VII (hereinafter referred to as the "Board"), State plans for old-age assistance.

STATE OLD-AGE-ASSISTANCE PLANS

SEC. 2. (a) A State plan for old-age assistance must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that, if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes, as a condition of eligibility for old-age assistance under the plan—

(1) An age requirement of more than 65 years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as 70 years; or

(2) Any residence requirement which excludes any resident of the State who has resided therein 5 years during the 9 years immediately preceding the application for old-age assistance and has resided therein continuously for 1 year immediately preceding the application; or

(3) Any citizenship requirement which excludes any citizen of the United States.

PAYMENT TO STATES

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing July 1, 1935, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (2) 5 percent of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such clause, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be de-

rived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of subsection (a) for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified, increased by 5 percent.

OPERATION OF STATE PLANS

SEC. 4. In the case of any State plan for old-age assistance which has been approved by the Board, if the Board, after notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any age, residence, or citizenship requirement prohibited by section 2 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 2 (a) to be included in the plan; the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

ADMINISTRATION

SEC. 5. There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$250,000, for all necessary expenses of the Board in administering the provisions of this title.

DEFINITION

SEC. 6. When used in this title the term "old-age assistance" means money payments to aged individuals.

Mr. SNELL (interrupting the reading). Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. SNELL. As I understand it, the Clerk is reading title I, and when he completes the reading of title I the Committee will rise?

The CHAIRMAN. The gentleman is correct.

Mr. LUNDEEN. Mr. Chairman, that will not preclude anyone from offering amendments tomorrow?

The CHAIRMAN. It will not.

Mr. CONNERY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CONNERY. When the Committee rises that will not preclude the offering of an amendment, which will be offered in the form of a new title before title I?

The CHAIRMAN. It will not.

The Clerk concluded the reading of title I.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 7260, the social-security bill, had come to no resolution thereon.

Mr. KRAMER. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

Mr. SNELL. Mr. Speaker, I am sorry, but I shall have to object.

EXTENSION OF REMARKS

Mr. CONNERY. Mr. Speaker, I ask unanimous consent to extend my remarks by including in the speech that I made today a statement of the cost of the Lundeen plan.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I make the same request as the gentleman from Massachusetts [Mr. CONNERY] to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

SOCIAL-SECURITY BILL

Mr. ZIONCHECK. Mr. Speaker, I ask unanimous consent to extend my remarks upon the social-security bill.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. ZIONCHECK. Mr. Speaker, I do not feel the need of making a speech for "home consumption" on this present bill for social security. The people of the First Congressional District of the State of Washington, whom I have the privilege of representing, know how I feel about such legislation. I have before me my campaign pamphlet from the 1932 campaign, wherein I promised to fight for social insurance covering accidents, sickness, old-age, and unemployment. In 1934 the keynote of my campaign was that economic planning of consumption rather than production was the paramount issue of this day; that we must see that every person who is willing to work must be guaranteed a security of income and the purchasing power of the people must be increased to insure permanent prosperity; that social insurance covering accidents, sickness, old-age, and unemployment must be regarded as a matter of right rather than a matter of favor—because there is plenty for all if we only work out a sane and sensible scheme of distribution.

But at the same time I promised to fight for increased gift, income, and inheritance taxes in the higher brackets to break up huge incomes and thus equalize the distribution of wealth. I also promised to fight against sales taxes.

Now, Mr. Chairman, I feel that I am compelled to vote for the final enactment of this bill because of the broad recognition of at least partial responsibility for taking care of the aged, unemployed, dependent children, maternal and child welfare, crippled children, vocational rehabilitation, and public health. Such a recognition is a great step in itself, but my vote for this present bill does not mean that I approve of many of its provisions. The fact of the matter is that I do not approve of this bill in many respects, and feel it to be my duty in my representative capacity to point out what, in my opinion, are its defects, and at the proper time to try to help improve it by way of amendments.

My chief criticism of this so-called "social-security bill" is that it does not place the burden where it properly belongs; that is, on the higher income group of our Nation and on those receiving large gifts and inheritances. The fact of the matter is that the burden is placed on the lowest income groups in this bill. The ultimate 6-percent tax on pay rolls will be passed on to the consumer, of which the working classes compose approximately 80 percent. This type of taxation in effect amounts to a sales tax, just the same as the processing tax has resulted in increased prices, and, despite its name, it has proven itself to be a sales tax nevertheless. The additional 3-percent tax on the employee, which is deducted from his wages and paid over by the employer to the Government, decreases the employee's buying power in just that amount. Such taxes are wrong in principle and can only aggravate our distressing economic mess. It seems that every measure that is coming before Congress today is still based upon the economy of scarcity rather than the economy of abundance.

I feel that the old-age pensions that are not to exceed over \$30 a month are miserly and inadequate. Just what can an aged person do with merely \$30 if he has no other source of income or relatives to support him? It would require at least \$15 a month for rent alone, and that would leave but \$15 a month for food and clothing. Think of it—50 cents a day. To me this sounds like anything but social security. The \$30-a-month pension is particularly inadequate from a Federal standpoint, when the Federal Government is to match State funds on a 50-50 basis, the Federal responsibility at no time amounting to more than \$15 a month. In my opinion, the Federal Government should provide the entire amount of an adequate pension necessary to give the

aged the necessities and comforts of life as a matter of right, looking upon these pensions as merely deferred payments to the aged, for everyone knows that those people produced a great deal more in their productive years than they ever received for their work in wages.

The provision in this bill that a person must be 65 years of age or over is entirely too high, and I for one am going to do what I can to reduce it to 60 or even 55 years. It is virtually impossible for a man of 50 years to obtain gainful employment under our present industrial system, and would it not be better to provide adequate pensions for all those of 55 and over, and remove them from the labor market, and thus make room for the young people who today find themselves unemployed?

The provisions in this act for unemployment insurance are totally inadequate and in no way provide for insurance or relief for the present unemployed. According to experts, technological unemployment under our present profit system will be a constant and ever-increasing problem. Labor saving devices and machinery today are displacing workers by the thousands, and, according to those who have studied this problem, if we were to increase our production to that of 1929 we would still have from six to eight million unemployed.

The remedy for this depression is not unemployment insurance. Employment is the only solution, and if those who own and control the means of production have not the sense and social vision to adjust their profits, interest, and dividends, and get a more reasonable balance between consumption and production, then it is high time for the Government to step in and do it for them. In the interest of maintaining order, as well as providing a good life for all the people, our minimum program must be that every man and woman who is able and willing to work must be given employment at a wage that will get for him and for her the necessities, comforts, and some of the luxuries of life, for there is plenty for all if we but work out a sane and sensible scheme of distribution. In my humble opinion, any government that does not do just that does not justify its existence.

THE SOCIAL-SECURITY BILL

Mr. O'NEAL. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. O'NEAL. Mr. Speaker, it is not difficult for critics to pick flaws in proposed legislation, especially when it traverses new fields and deals with such enormous problems as those in this bill. I compliment the committee upon this example of sincere study and high intelligence. The comments I make are in no sense critical of the committee but are mere "obiter dicta", and because of the character of the men and their intense application to this subject, it is my inclination to support their recommendations. But I feel impelled to make some random comments, for I cannot help but feel that the best unemployment insurance is to aid business, the employer, and I am concerned about the recurring effort to have our Government attempt to cure all national ills. It is well to reflect upon the demands of all groups and classes upon our Federal Government and to consider not only the worthiness of the cause but the ability of our Government and its citizens to carry the load and the far-reaching effect upon the character of our people.

We are prescribing remedies for all of our country's maladies, and the medicines, no doubt, are efficacious as far as the disease is concerned, but the doses are so numerous and heroic that I fear for the patient, our country.

One thing is encouraging to observe in the treatment of social security, and that is the unanimous sentiment of sympathy for the aged, the unemployed, the afflicted mothers and children, and the other unfortunates to whom life has willed misery and misfortune. Every man in this Congress is interested in aiding the casualties of the strife of life, and to that extent all is well. Even this much idealism is a basis of hope for our country, but beyond the generous spirit of sympathy for the unfortunates, certain characteristics arise in our midst which are less idealistic and quite contrary to the Golden Rule so well exemplified in our sympathies.

Through failure to analyze ourselves, through mistaken loyalties to groups to which we belong, to intense State and partisan devotions, we sometimes forget American traditions and lose our fundamental ideas of American justice and liberty. The greatness of our country and the inheritance of the rare gift of American citizenship have been due to the wisdom and conscience of the founders of our country and their successors. They kept uppermost in their minds the freedom of its citizens and that no citizen might be deprived of life, liberty, or property without due process of law and without just compensation. Imposition of an unequal or too heavy tax is closely akin to attainder and confiscation.

Our forbears enjoyed the greatest liberty ever granted to mankind because the conscience of America and its leadership kept ever in mind the sacred rights of the individual to work, to improve his condition, to be provident and to retain that which he won by effort, character, and self-denial. When work and ambition in America, as we knew it, drove men on to greater achievement, there seemed to be less class and group selfishness, and men scorned to seek or accept that which belonged to another. There was pride in every American that he could carry his part of the burden and he asked favors of no man, and did not seek to place his obligations upon another. In my opinion, that spirit of independence made America great, and the loss of it will mean that our country, as we knew it, will be no more. So it is of the greatest importance in passing legislation that we think not only of the condition to be corrected, but also of the far-reaching alterations of citizen character and individual morale. The greatness of America was built upon stern reality, courage, and conscientious work. Today there seems to be a class philosophy of jealousy of those who have succeeded, a weakening of moral fiber, an ambition to avoid work, and a group selfishness which breeds disunion and the death of American ideals.

It appears to me that we, in Congress, should strive to foster the true American spirit of personal pride and independence, and be careful that we do not develop a national weakness of character. It should be brought home to the people that our Government will be fair to every group of its citizens; that special privilege shall not be granted to individuals or to groups; that the malingerer cannot live at Government expense; and that the care of our unfortunates is the obligation of every citizen in the United States.

We hear much these days of the socialization of America. In my opinion, when you arbitrarily place a tax on business or the individual without considering their ability to pay nor the justice of making them carry the common load, you are breaking with American experience and American tradition. Our country's trials are grievous at this time, and they challenge America for a solution. But we cannot solve the problem by arbitrary seizures against business or other singled-out groups of our citizens. In order to preserve America we must attack our problem "with malice toward none" and charity, or, at least, justice, to all.

There was a time when one's country was aroused at the favors granted to special interests through special privileges. America awakened and has remained awake to the menace of great corporations and great wealth which took advantage of the people. In a different way our citizens have now divided, and many groups are seeking special privileges from our country, which is not true to the American tradition of equality before the law. This problem will never be solved by hating, and much of our proposed legislation is born of temper and nourished by fancied wrongs. The attack too often is punitive and not guided by equitable principles. When America disunites to give special advantages to one or to place common burdens on the back of another, it is un-American and confusion or worse will result. Let groups in America seek to do equity and each assume its just burden. When that is again the rule, our country will have regained its birthright.

I do not believe that we have given sufficient consideration to, nor correctly analyzed, the place of business in American life. It is the keystone of America as we know it. We who

believe in the profit motive as a fundamental of human character and happiness believe that there would be no profit motive without business. Therefore, it should be encouraged, and interfered with as little as possible. The products of the farmer, the labor of the worker, the existence of the professions are indissolubly linked with business. Our country would not be what we have cherished should it become the employer. Our socialistic theorists would find the result to be a national flabbiness, deteriorating into moral paralysis. The only cure for unemployment is employment, and business is the employer, and honest work is the salvation of every man. In our legislation we should recognize that business must be treated justly and freed from oppression, or even fears of oppression, if all of the rest of America is to labor and prosper.

We draw our laws with little thought as to the psychology of our people, whereas we should consider their effect upon our national character. Yesterday the average American was as a group frugal, thrifty, proud, and conservative. Today, because of our laws drawn without considering their effect upon character, we find our citizens wasteful and extravagant in their demands upon our Government. The Federal Government apparently is a boundless reservoir of money, upon which they can draw without limit for every need or even whim. It is time in drafting our laws that we emphasize fair play to all, and the fact that every Government expenditure eventually means an expense to each individual citizen, and that each national extravagance culminates in an individual charge. When our people realize the true situation America will return to the faith of its fathers.

In conclusion I wish to compliment the committee for the intelligent and conscientious effort that has been put forth. My remarks are in no sense critical. But I wish the start could be made here and now to appeal to the abiding American spirit in the hearts of most of our citizens. Just as in a war of defense, everyone is called to arms, so in the case of human misery in America let us tell our people that it is a burden upon every one of us. Let us not attempt to aid the worthy causes in this bill by charging its costs alone to business or to any other group of citizens.

Let us assemble the cost of alleviating the suffering of America as described in this bill, and tell our country that these burdens must be borne by all Americans, and that it will cost each year a certain definite amount. Let us say to them that their burden cannot be shifted to the backs of the successful only, or upon business or any other class, and if it could be, it would not be right to do so. A load of this kind is an obligation of every man who is earning any money and the latent character of our country would revive and courageously meet the challenge. It has been found in our churches that the widow's mite was gladly given and the spirit of it made many of our American institutions great as they have been through the generations. If we could carry the need of the unfortunates back to every earner in America, I am idealist enough to believe that America would respond with approval, enthusiasm, and a renewed faith in our country. Every citizen in America should be required to pay a part of his earnings for the care of the unfortunates of America.

I concur heartily in the worthy intentions of this bill, but I regret that an effort is not made to test the spirit of our people by offering to them all the right and the privilege of assuming, according to their individual ability, the care and protection of their less fortunate fellow countrymen. If such were the case, I would dare to hope that the pride, independence and the cherished freedom of America might return.