

Mr. THOMPSON. Mr. Chairman, I should like to make a similar request, to insert in the record a telegram that I have received from the supervisor of rehabilitation in the State of Illinois, Mr. R. R. Clark.

The CHAIRMAN. Without objection, the telegram referred to will be made a part of the record.

(The telegram referred to is as follows:)

SPRINGFIELD, ILL., *January 29, 1935.*

HON. CHESTER THOMPSON,  
*Member of Congress:*

Please do what you can to have provisions of H. R. 3050 included in economic security bill.

R. R. CLARK,  
*Supervisor Rehabilitation, State of Illinois.*

The CHAIRMAN. The next witness is Abraham Epstein, New York City, representing the American Association for Social Security.

Mr. Epstein, will you please come forward and state your name and address and the capacity in which you appear, for the purposes of the record.

**STATEMENT OF ABRAHAM EPSTEIN, EXECUTIVE SECRETARY  
AMERICAN ASSOCIATION FOR SOCIAL SECURITY, NEW YORK  
CITY**

Mr. EPSTEIN. My name is Abraham Epstein. I am executive secretary of the American Association for Social Security.

Mr. Chairman, I have had the privilege of appearing before quite a number of committees in this House and have appeared before some of them week after week, almost, for quite a number of years. I am glad to see that at least a few on this committee have been on other committees before which I have appeared and are, I think, keen students of this problem.

Merely for the purpose of stating my own record, let me say that I have spent about 20 years in this movement for social security. I have been probably the most active person in promoting legislation of this kind and have done, probably, most of the writing on the subject in this country. So that I feel that I come to you with at least considerable experience and considerable knowledge of the whole subject.

I should like to confine my remarks to three subjects that I know something about. They are the different stages of old-age pensions and the subject of unemployment insurance.

First of all, I should like to begin my statement, gentlemen, by saying that the entire program as presented by the President is the most outstanding and courageous program that has ever been attempted in the history of the world—not only in this country.

No man, not even Bismarck or Lloyd George, ever dared to present as comprehensive, as thorough-going, as vital a program in its all-embracing aspects as is included in the President's message. It is the most courageous, the most daring proposal that has ever been made, and all of us, of course, are greatly indebted and feel that this has been the greatest contribution in this line in American history.

I do want to caution you, however, that even if the entire program that is presented here is adopted this year, this country will still be

from 25 to 30 years behind European countries in the adoption of social-security legislation. In other words, daring as the program is from a political point of view, courageous as it is from a social point of view, in actual practice, even if we adopted it entirely, we will still be almost a generation behind other progressive nations.

That is to say, this program is not a revolutionary program. It is not a program that has not been tried or experimented with. It is a program that we know pretty much everything about. We know of its benefits, we know its workings, and there is sufficient evidence to warrant our going ahead.

Now I come down to the bill, and I should like to analyze at least the outstanding provisions in the bill and state some of our own reactions to it.

The CHAIRMAN. Keep in mind, Mr. Epstein, that you are proceeding under the 5-minute rule.

Mr. EPSTEIN. The 5-minute rule?

The CHAIRMAN. Witnesses may proceed for 5 minutes, after which they are subject to questioning by the committee.

Mr. EPSTEIN. I could not possibly complete my statement in 5 minutes, Mr. Chairman.

Mr. WOODRUFF. Mr. Chairman, may I say that to my personal knowledge Dr. Epstein is one of the most outstanding authorities on this particular question, not only in the United States but in the world. I have been in contact with Dr. Epstein, on their very thing for a matter of 8 or 10 years. I think that we should waive the 5-minute rule in the case of this very splendid gentleman and get the information that he can give the committee.

Mr. LEWIS. And I will second that motion, Mr. Chairman.

The CHAIRMAN. It is not a motion; merely a suggestion. How much time do you think you will need, Doctor?

Mr. EPSTEIN. I do not think I can get through in less than an hour, because I should like to explain some of these things.

Mr. KNUTSON. Mr. Chairman, we are dealing here with something that is going to become a permanent part of our economic system. I do not know Dr. Epstein, but Mr. Woodruff says that he is one of the great authorities in the country.

Mr. WOODRUFF. He is the outstanding authority in the country.

Mr. KNUTSON. Certainly we should not haggle over an hour when we have before us a witness like that.

The CHAIRMAN. Could we not read his remarks in the record?

Mr. KNUTSON. We may want to ask him some questions which may not occur to us if we do not hear what he has to say.

Mr. LEWIS. Allow me to suggest a compromise. Dr. Epstein, thanks to your labors in the past, much of the information on this subject has already been presented to the committee. I think you could manage in half an hour to present those facts that you feel are not quite generally known.

Mr. EPSTEIN. Even then I should like to analyze, for instance, the unemployment insurance provisions of the bill, and it would take me half an hour to do that. Honestly, I could not do a decent job in that time. I have appeared before these committees year in and year out, and I know what is before me.

Mr. COOPER. Mr. Chairman, I recall that Mr. Epstein appeared before the committee or a subcommittee of this committee during the last session.

Mr. EPSTEIN. That is right.

Mr. COOPER. On the question of unemployment insurance. He made a rather lengthy and, of course, valuable statement. That is now available to the committee.

Mr. EPSTEIN. But we are discussing a different bill and I have different remarks to make.

Mr. COOPER. With that information before the committee, would it not be possible to condense the gentleman's remarks somewhat?

Mr. EPSTEIN. They would not apply to this bill, Mr. Congressman.

Mr. COOPER. Could you not point out the differences between the two proposals and give your comments on those differences?

Mr. EPSTEIN. I shall try to be brief, gentlemen, and I am usually brief.

I am merely asking for something that I think is only fair. After all, I do represent a national organization which has been chiefly responsible for the social-security legislation that has thus far been attempted.

Mr. COOPER. Mr. Chairman, I move that we allow the witness 30 minutes, falling in line with Mr. Lewis' suggestion.

The CHAIRMAN. Is there objection to that request?

Mr. WOODRUFF. May I offer as a suggestion that during those 30 minutes Dr. Epstein confine his talk to the matter of old-age pensions; and if it is not possible to hear him at length on the question of unemployment insurance, that he be permitted, which he would, under the rules of the committee, to file a complete statement on that subject for the record.

The CHAIRMAN. Of course, the witness is at liberty to choose his own course and to speak on whichever phase of the bill he chooses. Then he has the privilege of extending his remarks in the record, a privilege we extend to all witnesses.

Mr. COOPER. Our purpose was to leave it to the discretion of the doctor as to the subject he wanted to discuss during that time.

Mr. EPSTEIN. I will try to cover the subject in half an hour, Mr. Chairman.

The CHAIRMAN. Without objection, the gentleman is recognized for 30 minutes at this time.

Mr. EPSTEIN. I would suggest, gentlemen, if you will please not interrupt too much, I think I shall probably get through in that time. The provisions on old-age and mothers' pensions in this present bill are, to us, the clearest and the best in the bill, and we endorse them 100 percent.

In this connection I might say that after spending 20 years' of work on old-age pensions primarily, after writing three books on the subject, after being in the active fight in all of the 28 States which have adopted pension laws, I want to say to you members of this committee that you have in this provision for a Federal subsidy of up to 50 percent or \$15 a month, the best, the most logical provision which we can possibly get.

Let us not be fooled by promises, by false hopes, that this is too little or that is too much; \$15 a month as a Federal subsidy, up to 50 percent of the average pension, which will permit some States

to pay more and allow some States to pay even less, is, to my mind, after actual experience of 20 years and with thousands and thousands of old people in this country, an ample provision.

My experience has been in New York City as well as in rural communities, and I say that that kind of a provision is ample.

Moreover, this appropriation that you are proposing of \$50,000,000 this year is more than ample. The appropriation which is proposed of \$125,000,000 next year is more than ample, because, in addition to pure actuarial figures, you have got to use a little bit of common sense.

You cannot possibly get all of these States to follow the Federal lead this year, even if you adopt this bill. They would not all come in. At the present time we are spending only about \$30,000,000 on old-age pensions. Even if many States come in, we would not spend more than \$50,000,000 this year. So you will have ample funds.

Gentlemen, do not be confused with the notion that this old-age pension problem to which some of us have given a lifetime—which has for its purpose providing security for the destitute old men and old women—is going to be a panacea, a cure-all, for all the evils of the world.

The old-age-pension problem should be considered purely from the point of view of giving security to the old men and the old women. An average of \$30 a month throughout the Nation does provide security for the aged. It will not, perhaps, in some cases, but in the overwhelming proportion of cases, I am prepared to say in 90 percent of the cases, that is ample provision.

Of course, if you are seeking a panacea, a cure-all, and want to spend money, you need not necessarily pick the poor aged as a means of doing it. Pick somebody else. You can give that money to the youngsters and you will be able much better to spend money. A child of from 3 to 12 can have more money spent on it than an old man will spend on himself. You can spend \$200 a month on a child of from 3 to 14, while an old man, who may have acquired Scotch habits of thrift, does not know how to spend that much money; you would break his heart, he would faint if you were to give him, all of a sudden, \$200 a month. As to most of them, they have not seen that much money in all their lives. Give it to the youngsters, if you want to give it to somebody merely for the sake of spending it, and the toy industry will boom overnight, and we will have such prosperity as we have never had before.

Why take a movement that has been built up over 25 or 30 years in this country, just when we reach the stage of having Members of Congress, members of State legislatures, and State governors agreed that there is a demand for this kind of legislation, and a need for it, and wreck it now on a crazy proposal, a proposal of lunacy, that is offered as a panacea to solve all the world's problems? You cannot do it through the medium of these poor old people.

I say that that phase of the social-security bill is the most intelligent that we have had. It is sound. You should not deviate from its provisions, and I am speaking now as one who has done most in promoting this legislation; perhaps more than any other man in this country.

Now, we have one or two suggestions to make as to certain provisions of the bill. I do not know whether I should take the time to

mention them now; perhaps not. But I should be glad to see the chairman or members of a subcommittee on this matter of a couple of minor suggestions.

There is only one objection that I should like to make definitely, and on that, gentlemen, I want to appeal very strongly to your sense of honor and duty. For 20 years, in all of this legislation, we have sought to do one thing with old-age pensions. We have sought to establish a system whereby the old men and the old women who have been poor all their lives, who could not save because they did not make sufficient money, would get some measure of security, and would get it in as self-respecting, in as honorable a manner as possible. True we do not offer them \$200 a month. We did not want them to get heart failure. But we wanted to give them some little security in their home, in as self-respecting a manner as possible, and, thank God, I am glad to say that in most of the States we have succeeded. The old-age pension laws are respectable.

They are conceded to be a more honorable method of taking care of these people than poor relief. I want to appeal to you, do not now nullify all of that psychology that we have built up over a period of 20 years, do not destroy all the good work that we have done by turning this administration, the administration of this relief, over to the F. E. R. A., which will definitely turn it back into a poor-relief proposition, and attach to it a relief stigma. That is a very dangerous thing to do. It will nullify 20 years of our work.

Remember this, gentlemen. I want you to know that in all of this I have no feeling about Mr. Hopkins. On the contrary, there is no man that is doing a better job in social work than Harry Hopkins. I have no objection to Mr. Hopkins administering this, but I do have serious objection to putting the administration in a relief organization, which attaches to it very definitely that poor-relief stigma, which we have so far avoided, and will nullify all of the work that we have done over 20 years to make this pension proposition self-respecting.

Besides, you are establishing a permanent system of subsidies. And you are proposing to give it to an emergency relief organization which may not exist a year from now. You may abolish it in this Congress or the next Congress.

So I should urge you very strongly, as strongly as I can, to provide the kind of administration that ordinarily would be given to any permanent bureau. There are lots of bureaus in the Department of Labor that could handle it. Simply take it out of the realm of relief, and do not ruin 20 years of effort in trying to make pensions for this purpose self-respecting, and as honorable and decent as we can possibly make it.

Now, I come down to the contributory-pension provisions. I think in the hearings you have had a clear conception of what these two phases are. There has been a terrible misunderstanding in this country as to what it is all about, and I am sorry to say there was a terrible misunderstanding last year in Congress on this subject.

Some of you Members, those especially who were with the Rules Committee, know of the fights that we had last spring.

Let me say that there has been a tendency in this country—and that was true, almost, of every Member of Congress or member of a

State legislature—as soon as you talked about a contributory plan, he would say, “Let’s have a contributory plan and it will not cost us any money.”

Of course, we do not care about money any more. But we used to care about money. That was the big argument that was made.

What we have got to do—and I think Mr. Witte made it very clear here—is this. There are two sides to the problem of old-age dependency. One is the immediate phase today, and again I want to caution you, as perhaps the one man who has studied this problem more than anybody else, that when people tell you there are going to be 2 or 3 million people on a pension in this country in the next 2 or 3 years, you just call them fools, and that’s all.

We have not more than 175,000 or 180,000 pensioners today, and over 70 percent of the population of this country is already covered. We are not going to have even 1,000,000 people in the next 3 or 4 years. You cannot even say that all of the 700,000 people who are receiving emergency relief today will get on these old-age pension rolls. Remember this, that there is to be an investigation which will disqualify a lot of people that are now able easily to get emergency relief. Remember, we are setting up standards of decency, of self-respect, strict qualifications that will eliminate a great many of these people.

A great many of these people on emergency relief have not even been carefully investigated as to whether they are entitled to it or not. Whether they are or not I do not know.

But then you have this problem, whether it be for half a million or a million people today who have no means of support, who cannot possibly get a job, and most of them have children who cannot possibly support them, or have no children at all. There is no possible way of meeting the problem except through this State pension plan, such as is provided in this bill under a Federal subsidy.

Gentlemen, you have a right to say as members of the Ways and Means Committee of the House, or members of the Finance Committee of the Senate, or members of the Appropriations Committee, you cannot afford to undertake a straight subsidy like this forever, something which may perhaps involve you in an expenditure of billions of dollars some day. You have a right to say that.

So the second feature of this program is given to you for the express purpose of meeting that problem.

You say that you are going to meet the present problem of taking care of these people who are 65 years and over. But, for the future, you are going to have a contributory pension plan in which men and women of the younger ages will be making their own contributions so that gradually men and women will retire, not on straight pension, under a noncontributory system, but will build up their own funds gradually until the governmental responsibility is at least diminished. It will never be abolished completely. You will always have classes of people that will not qualify under the contributory plan. There will always be people of old age, who are poverty stricken, who will have to be taken care of. You will always have to have a small subsidy to take care of them. But it will be so small that it will not be significant.

The big job will be done by the contributory plan. The provisions as to the contributory feature of the plan are absolutely sound, except

that in this bill it is badly drafted. It needs a good deal of redrafting; it needs a good deal of clarification. It is a puzzle to me, frankly, although I have read it and studied it. I think I know what it means. I think I know what these people are after. But it does need a good deal of clarification.

I have noticed that a problem has been raised with you as to the Federal subsidy in 1980. The thing that surprises me, as I have appeared before congressional committees and have appeared before committees of almost every State legislature in this country, is this: I am struck with this change of attitude on the part of members of the committees. There used to be a time when appearing before a committee of Congress or a committee of a State legislature if we said, "Listen, gentlemen, you ought to figure for the next 10 years or for the next five years", they would laugh at us and say, "What; 5 years? This situation will be all over by that time. We do not have to worry about 5 years. Two years is the most we have to think of."

Now all of a sudden I see that a lot of Congressmen and others are worried about what will happen to this country in 1980.

Gentlemen, why change so completely all of a sudden? When you did not use to worry heretofore about what would happen for more than 6 months ahead—and most of our legislation has been for 6 months or a year or 2 years—why all of a sudden get excited about what the country is going to have to pay in 1980?

I say that you should think in terms of the future, but certainly you should not get faint because of what might happen to this country if it will have to spend a billion dollars in 1980. A billion dollars in 1980 may not be worth 2 cents. Nobody can tell what is going to happen. It means nothing now. But you can do this. You can overcome even that if you just modify—and I am sure the administration will have no objection to that—if you modify it in this way. You can either say that the Federal Government will by a gradual system subsidize the contributory pensions so long as they are low, or you can say to a man, let us say in 1947 or 1942, if he is retiring on this contributory-pension scheme, and it amounts to only two dollars and something per month, you can say to him, "You take that, we will also give you under our noncontributory pension system, if you are in need, a certain amount of money; the contributory pension is something extra for you because you contributed to us."

You do that for 10 or 15 years. He continues to get noncontributory pensions until, in a period of about 20 years, he gets to a decent pension of his own from the contributory fund. Then, if he has built up enough of a fund of his own, you stop under the noncontributory system.

Or, you can make up the deficit of the Government in this way. Instead of putting it off until 1980 and just borrowing money, which is a bad thing to do, you can have a subsidy arrangement, appropriating small sums, 5 or 10 millions, from 1940 on. Even then you have still got 5 years to breathe, during which you have nothing to worry about. At least, the Congress in 1940 will worry about it. And it will not be so much of a worry, anyway.

Why get scared? Why lose our heads because we may have to pay a billion dollars in 1980? Suppose we do. Does anybody know what a billion dollars will mean in 1980?

Now there are several suggestions concerning the bill that I would like to make. There is one thing I want to call your attention to, and that is this; and it is a very important thing: It is that the present provision in the act concerning contributory pensions takes in everybody in this country; small employers, farmers, and everybody else.

This may sound strange, coming from me; that is, it may sound strange that I should be trying to restrict the pension system in this country. Yet I think it is logical that it should come from me, because I am interested, gentlemen, in seeing that we have a decent system of old-age security in this country. I am interested, perhaps, more than anyone else. I do not want to have Congress do something that will come back and plague us a year from now and may antagonize the country 2 years from now so that another Congress will come in and repudiate the whole business.

I would rather start mildly and softly, but soundly. Give us, first, this pension of \$15 a month. Do not rush us to \$25, and when that money is wasted, have another Congress come along and rip the whole system out. Start modestly. You will have time enough to make increases a year from now.

Do not try to collect now from the farmers. Do not try to collect from the domestic servants. You cannot collect money from farmers. You cannot collect money from domestic servants. If you try to do that, you are going to have to spend more money in administering the act than you will ever collect. And when that leaks out they will come to me and say, "You are a hell of an advocate of social insurance. Look what you did; you made a mess of it." I am standing here before you, and I appeal to you, do not, for God's sake, ruin this legislation by overdoing it at first and undertaking things that you cannot possibly do.

You cannot make collections from farmers at this time. You cannot collect contributions from domestic servants. You cannot collect contributions from push-cart peddlers and small-store proprietors. It will cost you twice as much to collect as the amount of money that you will collect.

So, for God's sake, start mildly, start modestly. Let me tell you that no other country on earth—not only the big countries like ours, but other countries that are not spread out as ours are—no other country dared to try to include the agricultural workers and the domestic servants at first. And if that is so, why should you, with such an immense country like ours, with such a problem of administration to tackle, why should we undertake all these things and then fail in the administration of them so that it will all come back to us to plague us for the next generation.

I do not want to see that done. Include those employers from whom you can collect. You can collect from an employer of three or more people. That will not cost so much. But you cannot collect from farmers, you cannot collect from domestic servants. You cannot possibly do it.



Frankly, I do not want the farmers to come in here and fight us. We will have enough of a fight with the manufacturers' association. Why take on the farmers at the same time?

We have had enough of a fight for the last 20 years. Good Lord, I know what that fight means. Why give us all of this extra trouble by including the farmers in addition? After this has been tried, after it has been experimented with, and the farmers see what great benefit it is to everybody, the farmers then may want to come in. We will see. When they do, we will say "Amen", and we will welcome them with open arms and say, "Yes; please come in. We will be happy to have you."

But do not let us undertake too much now. Do not let us undertake a fight that will defeat us. Do not try to take a bite that will choke us in trying to swallow it. We just cannot do it.

There is another serious error that was made in this bill, and it is probably nothing but a drafting error. There are plenty of them. There is the proposal to assess 1 percent of the whole pay roll. Gentlemen, you cannot do that, and you should not do that. If you take, especially the large companies, gentlemen, perhaps 30 or 40 percent of their pay roll is in executive salaries and other large salaries. Those people are not included under the pension plan. They are exempted if they make more than \$2,500 a year. It is not fair to tax those people and give them nothing. You have no right to do it. Besides, that becomes not a 1-percent contribution or tax on the company's pay roll for insured workers but it becomes a 2-, 3-, or 4-percent tax. You should not do that. No country does it, of course. Tax 1 percent of the wages of those workers who come under the insurance plan. You cannot tax the whole pay roll. It is not fair, and you should not do it, and they would not let you do it, anyway, probably. In any event, it is not right.

There is another point that I would like to raise, and that is this. Suggestions have been made to you about raising the contributory rates from the present provision of 1 percent, to 2 percent and 3 percent in a few years. I want to plead with you gentlemen, if you really have any interest in social-security legislation in this country—and I know that every one of you does have that interest, and I know that some of you have given years and years of your lives to see that we have it—for Gods' sake, do not do that now. Do not overload yourselves. Do not try to tax the people too much by making this a 3-percent tax on old-age and another tax on unemployment insurance. We will also want health insurance. If you do that, you are going to arouse the American people, on account of the tremendous amount of the tax.

For God's sake do not let us do these things too suddenly. We can kill ourselves by a sudden jolt. Let us do these things gradually. One percent for the next 5 years will be sufficient and will provide us sufficient money for our purposes. We may begin to run into a deficit in 1960 or 1965 or 1970, and we will make up the deficit. But let us not run headlong into a stone wall and crack our heads. Let us go slowly and keep before us the purpose of laying a solid foundation on which we can build in the future. We must not run like an insane person into a stone wall and crack our heads.

There is one other thing that I would like to suggest, and that is in connection with the social-insurance board. You have a pro-

vision in the bill that this social-insurance board should be in the Department of Labor. I want to appeal to you—and I think this is very important—I want to appeal to you to see that that board should be an independent board, such as Congress has created frequently. This job will be too big for a departmental bureau. There are some traditions in a department, certain past practices which may make it difficult for this board to function within such a bureau, civil service and personnel requirements, and so forth. There are all kinds of objections of that kind. This is going to be a tremendous job, and it will not be able to function properly under that kind of a set-up.

Since Congress has always worked through independent commissions—only last spring, for instance, you created the Railroad Retirement Board as a separate board, an independent board, and certainly it will not have the magnitude of operations that this board will have—so that I would say, from the point of view of efficiency of management, from the point of view of efficiency of administration, this should be an independent board, independent of any other departmental bureau. It should be an independent board like the Tariff Commission or the Interstate Commerce Commission or the Railroad Retirement Board.

Now, on the matter of unemployment insurance. Referring to the unemployment-insurance provisions in this bill, gentlemen, we are sorry to say that we have to disagree with these provisions.

Some of you will recall that we did endorse the Wagner-Lewis bill last spring. But we have learned something since. First, this particular bill is not even as good as the first Wagner-Lewis bill. Secondly, we have been able to learn a little bit, and we really endorsed it last spring more because of political strategy than because we were heart and soul for it. Last year we felt that was no time to raise an issue. We thought that we would forget the provisions, just to get the issue before the Congress. But we feel that time is gone. We might as well think clearly now.

I know that the impression has been conveyed to you, and all of you are under the impression that you cannot really frame a decent unemployment insurance bill in this country because the experts disagree so much; I want to come here to tell you that 99 out of every 100 students of the problem agree at least this much, that the provisions in this bill are no good. That is a pretty unanimous opinion.

Mr. COOPER. Agree on what?

Mr. EPSTEIN. They agree that the provisions of this bill are no good, that it cannot function, that the provisions on unemployment insurance in this bill are not right. I say that 99 persons out of every 100 that know the problem, students of the problem, do not approve of the present provisions. I want to call your attention, and I believe your attention has already been called, to the fact that the advisory council of the Committee on Economic Security did not recommend these provisions, but actually recommended contrary provisions. The experts of the committee did not recommend these provisions. None of us who have studied this problem and have written books on it have recommended this thing, except just a few people chiefly in the administration. So that these particular provisions do not come from the experts of this committee.

Mr. LEWIS. I think you ought to be specific and indicate the particular provisions to which you refer.

Mr. EPSTEIN. As I said, first I am going to tell you just why we object to the provisions. We object to the provisions, first of all, because they have no real standards. The bill does not even have the standards that were provided originally in the first Wagner-Lewis bill. It simply leaves everything to the States and will permit a hodge-podge of 48 different State plans of unemployment insurance, and, of course, most of them will never be insurance. They will be plans such as embodied in Wisconsin law, which are not insurance plans, which are essentially meaningless paper schemes, where the unemployed will never get any real benefits. You will have a hodge-podge of things where the migratory worker in going from one State to another will never be able to know his rights, while workers of one company in different States will have different regulations, and you just simply will have nothing at all when you have succeeded in getting all the States to adopt something.

I want to call your attention to two conceptions that underly this bill, both of which are to my mind as false as can be. There are two basic fallacies that underly this bill. One is a very undemocratic conception. The undemocratic conception lies in the fact, which is almost Communist in its theory, that the employers in this country can regulate any law they want in a State legislature; in other words, that if only employers want something, they can get any bill they want through a legislature.

I want to say to you gentlemen I have dealt with legislatures and Congress for 20 years. I have probably been the only friend that Congress has had outside who has been defending Members of Congress and members of legislatures. I stand right here before you and say, after 19 years' experience with legislatures, that there is not a State legislature in this country that is dominated entirely by the employers of that State. Employers in some States have influence, but, good Lord, we have licked them in State after State, in very bitter fights for years. Certainly, you gentlemen of the committee, is there any one of you that will say that in your States employers run the legislature and they can dictate the kind of legislation they want? It certainly is not true of agricultural States, and it is not true even in my own State of New York, or my older State, Pennsylvania.

The Manufacturers' Association was a power in the Pennsylvania Legislature, but is not a power today. Even then we licked them repeatedly. We got an old-age pension bill through once, but they knocked it out. We had to go to court about it; but we got it through the legislature.

As the present bill stands it has nothing to do with the State legislature or the Governor. The Federal Government under this bill will have nothing to do with the Governors or with the States or with the people. It will go to the employers, or, rather, it would not go itself, it would ask me to give up every bit of self-respect so as to beg the very people that I fought for 20 years, to go to them and say—such as to Mr. Emery, of the Manufacturers' Association—“Why don't you see your own interests? Why don't you see that if you only pass a proper State unemployment-insurance law you

are going to get off 90 percent of your tax?" And Mr. Emery will tell me what he told me 7 years ago: "There is nothing I can learn from you, Mr. Epstein."

The employers in this country are the only ones that would benefit by State legislation under this bill.

Mr. COOPER. I would like to ask you, if you will, please, Mr. Epstein, to point out to us definitely the suggested changes that you have in mind on the title of this bill relating to unemployment insurance.

Mr. EPSTEIN. I am coming to that.

The CHAIRMAN. Your main statement is completed, but you may answer questions.

Mr. EPSTEIN. I will just answer this question, which is really part of my statement. That saves me a lot.

The CHAIRMAN. That is all right.

Mr. EPSTEIN. I do not know whether I can preface it by one other statement, just to get down to it. I said it was an undemocratic assumption, and I say also it is an unrealistic assumption of the employees, because I know, if I know employers—and I think I know them after 19 years. They have an ideology which will rather make them pay 5 percent to the Federal Government so long as everybody else pays it, and that is simply put on the consumer and there is no loss, than take a chance with some State legislature that may put on an extra burden and really put them at a competitive disadvantage.

We suggest, gentlemen, that you can follow the same bill. All you have to do is make certain amendments. You, first of all, in a separate bill set up this excise tax, and that, by the way, fits in with the recommendations of the advisory council, with the recommendations I understand Mr. Green made before the Finance Committee, with the recommendations of the experts, and with the recommendations of all of us who have studied the problem and worked for it. You set up this excise tax as Federal revenue, 3 percent on employers. Again in this bill—it is all right—you have employers of four or more. I should go even as far as three or more.

Then in a separate bill you say to a State, "If you set up an unemployment insurance bill"—and do not say it to the employers and the State; you say it to the State legislature, to the people of the State, to the Governor of the State, which is the democratic way that we should deal with it—you say, "If you want protection for your people"—and they do want protection for the people. The employers do not want it, but the Governor and the State legislature do want protection. You say, "If you adopt a decent bill that will comply with certain basic Federal standards, such as minimum benefits, such as a certain number of weeks of benefit, such as a real guarantee of good administration, and so forth; if you establish that and you guarantee us that you are going to administer it right, we will turn over to you the money we collect from your State."

To state it this way, you are raising this by a tax of 3 percent on employers of four or more employees. You say in the other bill, "If you do adopt a decent law, we return to you 3 percent of the wages of employers with four or more employees." That is more constitutional. It is traditional with all our subsidy traditions. It is perfectly logical and legitimate, and it is democratic and realistic. Your appeal goes out then to the Governor and the State legislature

and the people of the State, who will see to it that legislation is actually enacted, and not merely to appeal to the employers' interest, who have an ideology of their own, who would not suffer at all by the present Federal tax, because they can easily transfer it on to the consumers; and you would get nothing but a hodge-podge of the worst kind of things. It seems to me that is absolutely essential.

Mr. COOPER. Am I correct in understanding from your statement that you advocate a separate measure to accomplish part of the purposes sought to be embraced in this measure?

Mr. EPSTEIN. I would say that the two would be better split up from a constitutional point of view. There is the problem. This bill, by the way, will raise innumerable constitutional difficulties. My suggestion is based on the idea that it is safer constitutionally to separate the revenue-raising part from the disbursement part. I am taught by constitutional lawyers that that is a safer procedure than embodying the two-in-one bill which may raise constitutional difficulties, of saying you are actually putting over a tax for a specific purpose, which Congress is not allowed to do.

Mr. COOPER. From the viewpoint advanced by you, I am wondering just what it is you have in mind that will require two separate measures. If this is an act of Congress, which, of course, will have to pass the constitutional test that is applied to it, why cannot the other plan you suggest be incorporated in this?

Mr. EPSTEIN. Except for this one danger, Congressman, that the Federal Government is not allowed to raise taxes for specific purposes. You know that. If you have the same bill, in which you set up a revenue on the one hand and a disbursement provision on the other hand, and you use the same revenue for that disbursement, you raise that question, which the opponents will take to court and say: "Here Congress has specifically set itself up to raise revenue for a specific purpose, and that is their purpose." But if you do it in two bills you are at least escaping some of the difficulties. Again, I am not ready to say here what the Court will do on that thing. None of you is ready to say what it will do. But I am merely trying—there is one thing I have learned in 19 years' work, or 20 years, and that is to avoid constitutional difficulties. I will do anything to get a law that minimizes the constitutional problems, because I do know from bitter experience that if you have a social legislative law that is nullified by the Court, you wait a generation afterward to try to change it. Look at your child-labor amendment as a concrete example.

Mr. COOPER. I have conferred with my colleague here, Mr. Lewis, to some extent on the provisions of the Wagner-Lewis bill considered last session, to which you have referred as in comparison with this measure. My impression was that the principal differences between the unemployment-insurance provisions of this measure and that bill were in the fact that that bill included certain standards as to the waiting period.

Mr. EPSTEIN. More standards than this one has.

Mr. COOPER. And the amount of benefit that is to be paid.

Mr. EPSTEIN. In other words, more standards than this one has.

Mr. COOPER. In what other respect do you understand that this bill essentially differs?

Mr. EPSTEIN. Otherwise it is the same thing, except for the percentage of levy, except the tax; on that I am not ready to advocate 5 percent myself.

Mr. COOPER. That was my impression.

Mr. EPSTEIN. But as I told you, I hope you will discount our endorsement of that thing at that time, because we did it more for political strategy than real honest convictions—not a party matter, because we have no party affiliations, but we thought maybe we would get the issue before the public.

Mr. COOPER. Let us see if we are clear on this point now. The only essential difference between the unemployment-insurance provisions of this bill and the Wagner-Lewis bill considered last session are those indicated—

Mr. EPSTEIN. Primarily standards.

Mr. COOPER. With reference to the waiting period and the amount of benefits to be paid.

Mr. EPSTEIN. There may be one or two more, I cannot just say definitely, but I think you are right in the basic contention that it is primarily standards, but the principle is just something we cannot endorse. We had a terrible struggle to endorse the bill last spring. We just decided to do it because of the quickness of the time and the urgency of the thing. But we do not feel we can endorse it now.

Mr. HILL. I still do not have in my mind how you would obviate the constitutional difficulties, assuming the consideration of two bills rather than considering the whole subject in one bill.

Mr. EPSTEIN. You obviate one difficulty of it, at least I think, raising the revenue for a specific purpose. You have at least a better chance. I am not saying that the court would necessarily say that, that that is absolutely certainly here when it is not. But at least you have one step away from your trouble. If you have it in one bill it is direct. The court says, "Just look there, you set up revenue and you are disbursing it. Obviously you set up that tax for a specific purpose." This way we say, "Why, we set up the tax, that is all. That was just the revenue for the Government, general revenue. We happen to be disbursing an equal sum in a separate bill." Well, that is another story.

Mr. HILL. In this bill you are collecting revenue from the employers.

Mr. EPSTEIN. That is right.

Mr. HILL. To go into the Federal Treasury.

Mr. EPSTEIN. That is right.

Mr. HILL. What would be the situation if you had two bills instead of one as to the collection of the revenue for the General Treasury of the Federal Government?

Mr. EPSTEIN. That is right. That is entirely separate. In other words, you escape one danger on constitutionality of a specific tax for a specific purpose. That is unconstitutional. You cannot raise revenue for a specific purpose.

Mr. HILL. You are not raising it for specific purposes here.

Mr. EPSTEIN. You would be.

Mr. HILL. For what purpose?

Mr. EPSTEIN. You would be raising it for the purpose of distributing it to the unemployed.

Mr. HILL. In this bill?

Mr. EPSTEIN. In this bill.

Mr. HILL. Just explain to us how that is.

Mr. EPSTEIN. What this bill says is that you are raising revenue. You have other constitutional difficulties in this bill. That applies more to my suggestion. In this particular bill there are other problems. You raise other constitutional difficulties, even more serious problems. You say to the employer, "You do not deal with the State at all." You say, "If the State sets up an unemployment insurance fund"—and, by the way, you are creating immediately two duplicating systems. You not only set up a tax first of all on the Federal Government which you do collect, but you expect the States to set up another tax, a duplicate tax. At any rate, you are going to have two methods of taxation right there on the same employer. And then you say to the employer, "If your State has a fund which is approved by the Federal Government"—and again, I want to make the point that one of the points that is embodied in this bill, to my mind, not only raises constitutional difficulties, but certainly gives me a pain in the neck. You are asking me in this bill that no State fund will be approved until all the money raised by the State is turned over to the Federal Treasury, and you expect me to go to a Republican legislature and a Republican governor, and to add to my troubles—of which I have already plenty—you ask me in addition to tell them to turn your money over to a Democratic administration. Two years from now you may ask me the other way.

Mr. COOPER. Mr. Chairman, I would like to pursue a little further the point of inquiry I was making a moment ago with reference to the differences that may exist between the unemployment-insurance provisions of this bill and the Wagner-Lewis bill considered by this committee at the last session; am I correct in understanding you to say a few moments ago that 99 out of 100 people—

Mr. EPSTEIN. Of students of the problem, I said.

Mr. COOPER. Who are informed on this subject, or students of this problem, would not agree to the provisions of the pending bill on the subject of unemployment insurance?

Mr. EPSTEIN. You are absolutely correct, Mr. Congressman.

Mr. COOPER. If the only essential differences between these provisions—the provisions of this bill on unemployment insurance and the Wagner-Lewis bill—are in the fact that this bill does not set up certain standards which were carried in the bill, and which you agreed with me a moment ago amounted in substance to the waiting period—

Mr. EPSTEIN. A few major things; yes.

Mr. COOPER. And the minimum benefits.

Mr. EPSTEIN. It was not much better, I agree with you. It was not very much better.

Mr. COOPER. Then in what other respect are we to understand that this large number of people who are students of this subject would disagree with this bill, if they agreed on the Wagner-Lewis bill?

Mr. EPSTEIN. That may sound like a terrible confession, but I will say this, though: Really, there was no hearty support of the Wagner-Lewis bill except a political situation which caused most of us to feel, "What are we going to do?" Here was an administration

measure. It was very poor. We felt it was our job to line up with the administration and support that thing. I frankly confess, truthfully, I had no heart for it, even at the time when I spoke before the committee and urged its adoption, but I felt that it was our duty at that time. There was a chance of getting a bill over to support the administration. I can say for myself that I have always fought these provisions in the unemployment insurance in this bill that in my book written 2 or 3 years ago I attacked this kind of system and insisted that it must be a more intelligent system. I will say there are a lot of the students who just simply did not understand the problem so much last year but have learned a lot. I will give you an example of what is happening:

The Wisconsin law 2 years ago was being promoted in this country and almost everybody accepted it as something worthwhile. You will find fewer people outside of Wisconsin today that will say that that bill or that law is anything but a paper bill that will amount to nothing, if it would be adopted. Unfortunately, some people have to learn. They have to take their time to discover things. A lot has happened, a lot of good thinking, clear thinking, has happened since last spring up to now. The result is that most people today feel that these provisions in this bill would primarily help Wisconsin, but it will help no State in the Union, and it would ruin the country for the sake of saving the Wisconsin law.

Mr. COOPER. Are we to understand now that you and others engaged in similar work with you came here and advocated the Wagner-Lewis unemployment-insurance bill during the last session of Congress on the ground of political expediency?

Mr. EPSTEIN. That was primarily my motive, anyway. I do not know what the motives of other people were.

Mr. COOPER. You now State that you were not fully in accord on that measure at the time that you came here and advocated it?

Mr. EPSTEIN. That is correct. I was not heartily in accord with it even then, but I endorsed it—the principle of it—as you would do and as anybody else would do. I do not think it is really such a terrible crime. We do certain things for certain strategic purposes that we ultimately either regret or feel we were foolish to do, but we all do it.

Mr. COOPER. I am not questioning your motives, because you have a right to pursue your course——

Mr. EPSTEIN. Exactly.

Mr. COOPER. But I am just trying to get a clear understanding here.

Mr. EPSTEIN. That is a frank way of putting it.

Mr. COOPER. We want information here that is reliable, upon which a great piece of legislation may be based.

Mr. EPSTEIN. I think you sat in those hearings right at that time when I was testifying.

Mr. COOPER. Yes; it was my privilege to be a member of the subcommittee that considered that measure, and I remember very distinctly the very impressive and very valuable statement that you made on the subject at that time.

Mr. EPSTEIN. But if you analyze my statement there, Mr. Cooper—I have not looked at it—I will say that I have not endorsed it, I



mean, in an analytical manner that I really analyzed the provisions and endorsed the provisions. I endorsed it on general principles.

I was sincere at that time, too. As I say, if you will look through that statement of mine—I have not seen it since that time; I do not recall what I said—I am sure you will find there nothing that endorses the provisions of the bill. If I advocated it, I advocated it on general principles that we need unemployment insurance, and that bill was as good as any you could get perhaps at that time. But I know that I could not honestly—in all my writings I have condemned this type of provisions. I could not honestly have come and favored the provisions, but I endorsed the bill as a whole.

Mr. COOPER. I think we agree that the essential provisions between the pending bill on the subject of unemployment insurance and the Wagner-Lewis bill are substantially as follows: Minimum benefits to workers; State law must provide for payment of not less than, first, weekly benefits of \$7, or 20 hours' wages; second, for not less than 10 weeks, or for a time dependent on period of previous employment.

Mr. EPSTEIN. You are reading the original Wagner-Lewis bill.

Mr. COOPER. Those provisions were in the original Wagner-Lewis bill but are not carried in the unemployment-insurance provisions of this bill.

Mr. EPSTEIN. Correct.

Mr. COOPER. Now, are there any other differences that you would term important or essential differences between the two measures?

Mr. EPSTEIN. Not essential, very much, except this—

Mr. COOPER. To get back for a moment, if I may now, to my original question to you, realizing the long study that you have made and the valuable contribution that you have made to this general subject now under consideration, would you be kind enough to point out as briefly as you can the provisions that you think an unemployment-insurance measure should contain?

Mr. EPSTEIN. I tried to say, Mr. Cooper—which is absolutely in agreement with everything I have written on the subject for years—that I disagree completely with the philosophy, with the basic principle embodied in this bill of a tax remission plan to employers.

Mr. COOPER. All right.

Mr. EPSTEIN. That is to my mind absolutely wrong, and can never really accomplish anything. Besides, it will put you into all kinds of constitutional difficulties in trying to remit one employer that much and another employer that much, and so forth and so forth.

Mr. COOPER. I think we understand that point. Now, do you have another to suggest?

Mr. EPSTEIN. The other suggestion would be that the standards, of course, embodied even in the original Wagner-Lewis bill—and I am sure I spoke of that—were certainly far from adequate. I think that no bill should have standards less, at least, than 20 weeks' benefits. If you are going to create independent State funds, which I do not believe is wise because you are having two tax systems, and I could do it better with this tax, and not have separate State-taxation systems, by Federal standards, if you do that, I should say that one of the basic requirements is that the fund in each State must be a pooled fund and not by individual employers for their employees, such as the Wisconsin law consists of. To my mind, any such law is not worth the paper it is written on:

Mr. COOPER. Then you think that at least the standards set up in the Wagner-Lewis bill should be incorporated in this bill?

Mr. EPSTEIN. Yes; better than those.

Mr. COOPER. Now, I think we understand that point. What other point do you have to suggest?

Mr. EPSTEIN. That is practically the only thing, the philosophy of the thing.

Mr. VINSON. What is your viewpoint as to company reserves?

Mr. EPSTEIN. My objection to that, Mr. Vinson, is this: First of all, you see, it is a misnomer in the point of view that you talk in terms of insurance. When you say to a worker that all he has to rely upon when he is out of a job is the fund accumulated for him by his employer, it is just the same thing as telling a man, "Instead of protecting your wife through an insurance company", you are telling him, "Why do you have to do it? You take \$10 of your pay as a premium and put it under the mattress, and maybe you will live forever, and then your wife is going to get \$5,000 when you die at the age of 340." So he takes that advice, and he puts it under the mattress, and immediately something happens. He may die, and all she finds in the mattress would be \$10, only \$10. Or a fire may happen and burn up the \$10, and so forth. Now, you would not advise a man to do that, would you? You would say that a sensible man goes to an insurance company and puts that \$10 there, so that no matter what happens to him, if he dies tonight, after he has paid the premium his wife is entitled to a thousand dollars, and that is guaranteed.

You are telling the workers in a State like Wisconsin, "All you can look forward to is the fund of your company." Now, what happens? You have a situation where good companies, such as the public utilities, will have fine funds, but no unemployed. But it will be a gorgeous thing. Everybody will be happy. The company will have only \$75 for each worker, but there will be nobody to draw upon it.

Then here will be another company that has constantly had unemployment. There will be all kinds of unemployed there, but not a penny to draw upon because nothing has been accumulated.

Mr. COOPER. Then you do not believe in the idea of the preferential rates to specific companies or industries?

Mr. EPSTEIN. Mr. Cooper, that is a technical problem. I say that in a few years, after we have experience, if there is a possible way to make that adjustment, well and good. I do not think personally you can ever do it, but I am willing to try.

Mr. COOPER. Are there any other special points that you would like to point out that you think this unemployment-insurance provision of this measure should include, that are not now in the bill, other than those you have indicated?

Mr. EPSTEIN. The essential thing is this change of the tax system. That is your principal thing.

Mr. COOPER. Those you have already covered. I am wondering whether there is anything else.

Mr. EPSTEIN. There might be minor things if the bill is redrafted, you know. I cannot just think of it now.

Mr. REED. Mr. Epstein, I must admit I am somewhat astounded at the statement which you have made here in regard to your atti-

tude towards the subcommittee. The men on that subcommittee, to my mind, are about as able men as you will find in Congress. I believe they gave the most sincere study to the problem presented. It almost stuns a person to have you come here and say you did not disclose the information you had frankly and fully at that time, because it was all leading up to this legislation.

Now, I am wondering just how far you are keeping anything back from us now. What we would like to have you do now—because this is the Congress of the United States, and this is one of the biggest pieces of legislation we have had before it—is be absolutely frank and state to this Congress the exact provisions that you state 99 percent of those who understand the problem believe should be in this bill. We will never get anywhere unless the witnesses who talk here tell us frankly, not for strategical or political purposes, their honest convictions and views with reference to legislation of this importance.

Mr. EPSTEIN. Congressman Reed, I think you can appreciate that I am frank, and you realize that this is not necessarily a pleasant position for me to be in. I mean, we did want to play with the administration. We did want to have the hearty support of this thing, which by rights we should have. But unfortunately the bill was drafted in a way that we cannot endorse.

At that time—let me be frank again with you as to that time—I was convinced that at that session Congress would not adopt that bill. I was absolutely sure of it. I am a fairly good analyst about possibilities of legislation, although I do not pretend to analyze or predict about this Congress, but I was pretty sound, I think, on most Congresses and most State legislatures. I mean, in my heart I knew it. But you put yourself in my position and you will appreciate that we are not trying to falsify things.

I am secretary of a national organization whose chief aim is the promotion of social insurance. It was very logical for us to feel that once we have an administration for the first time in the history of this country that can actually see the problem and willing to help push it, naturally the first inclination for you and for me would be to do everything we possibly could to help the administration.

Mr. REED. Right there, what do you think the reaction is going to be on people who listened to your first statement here, and then hear the statement here today that you are not in agreement and that 99 percent of the people who studied this question are not in accord with it? The important thing now at this hearing is to reveal to this committee in plain, clear language just exactly what the 99 students out of every 100 who have studied this question believe should be in this bill.

Mr. EPSTEIN. That is exactly what I am telling you. The advisory committee of the President's Committee on Economic Security, which was made up of employers like Teagle and Swope, other people like William Green, of the labor people, George Harrison, of the railroad brotherhood, and persons like Paul Kellogg and Helen Hall, of New York, have recommended that this subsidy idea should be the plan. The experts on the committee also made the same recommendations. From my studies I have recommended that very thing in article after article, and have repeatedly stated that thing.

Mr. REED. Have you prepared any in specific terms that you can place before this committee now? That is what I mean.

Mr. EPSTEIN. I can do it; if you get the report of the experts committee you will have that whole thing analyzed thoroughly.

Mr. REED. You are the witness.

Mr. EPSTEIN. I will be glad to.

Mr. REED. You can lay it before the committee, if the members have no objection.

Mr. EPSTEIN. I can do it without any trouble, except I have just notes on it. I did not prepare any full statement.

The CHAIRMAN. Why was it that the large number of people who you say are specialists, who disagree with what is in this bill, failed to impress those who are responsible for the bill?

Mr. EPSTEIN. Because they did not consult us, Mr. Chairman.

The CHAIRMAN. They did not consult you?

Mr. EPSTEIN. No. We pushed ourselves and tried to do everything in the world to try to prevent this very kind of provisions being embodied in the revised bill.

The CHAIRMAN. You acted in the capacity of an advisory committee?

Mr. EPSTEIN. No. We tried in every way. We were not the official advisors. I might say, gentlemen, that, for instance, people who have done the most writing on the subject, such as Dr. Rubinow, who has been writing on the subject for 30 years and is one of the outstanding authorities internationally, was not consulted on this thing. Professor Douglas, who is an outstanding man—I am sure he will be up before your committee sometime soon—was not consulted. I was not consulted except in the old-age provisions, and the old-age provisions are happily all right.

Mr. VINSON. Assuming that the language in this bill on unemployment insurance is reported to the House without change—I know that is a violent assumption, because I feel certain there will be some substantial, material changes—but with that assumption, would you favor enactment of that language in the law, or would you oppose it?

Mr. EPSTEIN. I would oppose it if the present paragraphs were embodied.

Mr. BUCK. The gentleman has indicated his dissent from inclusion of farmers and domestic servants under the terms of the old-age pension. Does your dissent also go to the unemployment insurance as far as farmers and domestic servants are concerned?

Mr. EPSTEIN. Certainly; not because I do not believe they should not be in, but I know that pragmatically, for the present, we are not ready to take in that group of people. We just cannot administer it.

Mr. BUCK. Is that because of the difficulty of collection, largely?

Mr. EPSTEIN. The difficulty of collection, largely, and the general opposition that you create of new elements that do not want to belong.

Mr. BUCK. Is there also an element of difficulty there, due to the fact that there are largely transient, itinerant laborers involved?

Mr. EPSTEIN. That may be so. In your State, especially, I think that would be a problem; I mean with agricultural workers. We are just simply not equipped in this country on a national scale to enforce contributions on those groups. I do not think we are capable.

Mr. VINSON. Would you include casual employees in those excluded; the farmers and domestics?

Mr. EPSTEIN. I would have casual workers; very much.

Mr. VINSON. For the same reason that you have given?

Mr. EPSTEIN. Yes; that is right. There are degrees of casual workers. You can take in certain groups, too, in your provisions. We have drafted a model State bill, by the way, where we have tried to make this very adjustment; that is right before you, that you can see. It has been introduced in a lot of States, that particular bill. It covers all these groups. I consider it as intelligent as it can be.

Mr. KNUTSON. Mr. Epstein, you say you have been devoting the last 20 years of your life to the work of placing on the statute books of the several States a fair, workable, old-age pension law. At this stage, would you be willing—I am sure the committee would be glad to hear you—to express your opinion on the so-called "Townsend old-age pension plan"?

Mr. EPSTEIN. I will try to reply indirectly, Mr. Knutson. I have called it in one article a lunacy scheme.

Mr. KNUTSON. What?

Mr. EPSTEIN. Lunacy. And I still hold to that phrase. To me, of course, as one who has given all these years to this work, it is a tragedy from the point of view of the old people, because here we have just reached the stage where every Member of Congress has realized the immensity of the problem. And I might say, gentlemen, that it is not Townsend that aroused you to the need. Mr. Woodruff has been in this subject, I remember, for at least 8 or 9 years, as he said. Remember that in two successive Congresses your own committees unanimously reported out the Dill-Connelly bill. So when people say that this is a new idea, that Congressmen have been just flooded with the thing and all of a sudden have begun to realize, that is not true, because historically Congress has held about a dozen hearings. There are innumerable reports on the whole matter. Innumerable hearings have been printed in both Houses. I have had the privilege of appearing before innumerable committees both in the Senate and in this House.

I do not want to describe that thing as an economic thing, because after all, it is fantastic to ask any one of us to discuss a lunacy in terms of economics.

Mr. KNUTSON. Discuss it in the terms of lunacy. I want to get your reaction to it.

Mr. EPSTEIN. In terms of lunacy? You have to be a lunatic to discuss it. I must discuss it as it sounds. I have done this thing—that I will be glad to leave in the record [indicating documents].

Mr. KNUTSON. Let us hear it. We have 20 minutes. Let us hear you discuss this plan.

Mr. EPSTEIN. What I want to say first, perhaps, is this: That you must distinguish one thing; that is, when you talk of the Townsend plan in terms of old-age security, do not conceive of that as old-age security. Some of the more intelligent Townsendite promoters have been intelligent enough to see that. The Townsend idea is not concerned with the aged. It does not have any affection for the aged. He is interested in a sales tax, in curing all the world's ills by a sales tax, by making prosperity overnight. The way to make pros-

perity overnight under that idea is: You tax all the people and then you put 10,000,000 of them in Paradise. By putting 10,000,000 in Paradise, somehow or other, the miracle is performed. Everybody wastes his money and everybody gets rich overnight. As I say, I cannot discuss it in terms of economics.

Mr. KNUTSON. You mean they will become prosperous overnight by wasting their money?

Mr. EPSTEIN. Exactly; that is the idea. Dr. Townsend, I know not by what degree of imagination, somehow decided that the old men and the old women are the ones to be the wasters. I resent it, on the contrary, because I know that most of the aged do not know how to spend \$200. Most of them have not seen \$200 or \$100 in their lives. If you give them \$200, they might die right off, not live to spend it, because it will shock them so much. You are actually going to increase the death rate among the aged if you do that, so much as to almost abolish the whole problem.

You notice this is the budget that the Townsend people have worked out. The only conception they have of wasting the money in this miracle is you give an old couple \$200 apiece; that is, \$400. The big problem has come up with all the people there. "How are we going to spend \$400?" So much so that the promoters had to work up a table or a budget. If you examine that budget you will be interested to find that about \$150 or \$175 a month of that budget goes to a car, to the buying or running of an automobile. Interestingly enough, \$75 a month of that budget is set aside for the wages of a chauffeur. In other words, all the old people in California and North Carolina and in Michigan and everywhere else are going to hire a chauffeur. The idea is, under the Townsend plan, that this business will grow so much that wages will be multiplied five times. And the only thing they allow for a chauffeur is \$75 a month, which is hardly a living expense. When all the people will be riding around, \$50 a month is allowed for the upkeep of a car and the purchase of a car. In other words, they will ruin a car every year, then buy another one. Twenty or thirty dollars a month is allowed for gas. I am told the automobile industry is booming, at least with pricing things. I understand the old people in some towns are just flocking to the automobile shows and pricing cars for the time when you are ready to give them the \$200. The whole idea seems to be that if you just run a car to the ground quick enough and use up enough gas you get prosperity.

Mr. KNUTSON. Right there, one of my correspondents, an elderly gentleman, writes me that he and his wife would need \$200 each month because it would be their intention to bring the whole family under one roof, and that would enable them to spend the \$400.

Mr. EPSTEIN. These are thrifty people. They cannot figure out the spending themselves, so they are willing to share it with everybody else. That is what I say, Dr. Townsend selected a poor group. That is exactly what would happen. They could not see their way for spending it all. It will just ruin their lives. Think of all the old people running into cabarets, shows, at 60 and over. It would just ruin them. Think of them staying out until 2 or 3 o'clock, trying to drink champagne to spend the money. You would just ruin the country and ruin them.

Mr. KNUTSON. Of course they would not live long.

Mr. EPSTEIN. That is it exactly. So the thing will stop in a couple of years. There will be no more aged over 60.

Now, I want to submit a little statement here. We have just made an analysis of some of the newspaper publicity—

The CHAIRMAN. Mr. Lewis desires to question the witness.

Mr. LEWIS. Mr. Epstein, using literary language, your magnus opus was your work on old-age pension. Is that correct?

Mr. EPSTEIN. Up until 3 years ago; yes.

Mr. LEWIS. Your interest in unemployment insurance was a subordinate interest?

Mr. EPSTEIN. Up until 3 years ago; yes. I was always a student of the subject. I mean I was a student of the social-insurance movement from the beginning, but I did not write on it.

Mr. LEWIS. You could not inform yourself about old-age pensions throughout the world without incidentally observing the presence of unemployment-insurance institutions in the various countries?

Mr. EPSTEIN. That is right.

Mr. LEWIS. Would it be a fair interpretation of your attitude now and your attitude before the subcommittee to say that before the subcommittee you gave your support to the measure as a matter of tactics in the general objective of social security?

Mr. EPSTEIN. Correct. We had to hope that it would get through.

Mr. LEWIS. But you had in reserve a different plan of treatment of your own?

Mr. EPSTEIN. That is right.

Mr. LEWIS. That the treatment now embraced in this bill does not meet that reserve requirement of yours any more than the treatment of last spring in the Wagner-Lewis bill?

Mr. EPSTEIN. Correct. Except, Mr. Lewis, I would just add to this thing—your analysis is absolutely correct—you will recall that I never discussed with you last spring the bill as reality, you remember. You will recall that. I never conceived that as going through.

Mr. LEWIS. I cannot remember the details of it, but your present statement, I will say, comes to me as a complete surprise.

Now, may I ask this question: Had the bill of last summer been reported to the House favorably for its action would you have opposed its passage after appearing before the committee?

Mr. EPSTEIN. When the bill had a chance of passage, yes, I would; because at that time it was not a question of passage. I felt that the tactical thing to do was to push the idea ahead. But when it comes down to actual passing, I say this kind of provisions will plague us for 25 years.

Mr. LEWIS. Is that on the principle that the end justifies the means? Is that your idea?

Mr. EPSTEIN. Don't put it so strongly. But the idea is that we want to get something that is right. I would rather have a foundation that is right and take a little bit than build on sand. That is my whole concept.

Mr. LEWIS. Now, Mr. Epstein, you stated that 99 out of 100 persons, students, are opposed to the unemployment-insurance treatment provided in this bill. You repeated the statement on question a number of times. Of course, you do not mean to say that you have taken any census—

Mr. EPSTEIN. From the people I know in the movement.

Mr. LEWIS. Of opinion upon the part of people who have canvassed this subject.

Mr. EPSTEIN. I mean students of the problem.

Mr. LEWIS. You distinguish between people's desires and their opinions, of course?

Mr. EPSTEIN. No; but I will say this, Mr. Lewis, that the statement I made is that students of the problem, people whom I conceive to know something about the subject—and I think I am qualified to know who knows something about this subject and who does not know.

Mr. LEWIS. I do not know whether I am as qualified to judge as you are, Mr. Epstein, but I have been deeply concerned with the subject and in a public relation to it, and reverse your figures and say that 99 percent of those really concerned in unemployment insurance favor and do not oppose this bill.

Mr. EPSTEIN. You talk about the word "concerned." It all depends on what you mean by "concerned."

Mr. LEWIS. I mean intelligently concerned.

Mr. EPSTEIN. Concerned and knowing about the problem are two different things.

Mr. LEWIS. Not as the victims of the Townsend fantasy are concerned, about how they will spend the money, but concerned in the sense that they have a right to opinions, have studied the subject enough for that purpose.

Mr. EPSTEIN. I still hold on to my contention, and I think I can prove my statement as the hearings here will probably show as the days go by, that you will find the outstanding students of the problem in this country who have studied this problem do not agree with the provisions in this bill and have never agreed to them.

Mr. LEWIS. The hearings now have gone on for nearly 2 weeks, and you are the first one to express that idea. There was no expression of it that I now remember before the subcommittee at all, except as your own reverse opinion was then expressed.

Mr. EPSTEIN. It is not quite a reverse opinion. I do not think you can make a case on that so much. I think I was fair to say what I said in the spring, and I think I am more than fair now, and it is not the best position for me to be in. I want to be honest with myself and with the members of our association, and with the members of this committee. You have so far heard practically only administration people. They drafted the bill and naturally they would advocate it. I am speaking of the bulk of students who have not particularly drafted this bill, but who have really been concerned in as well as understanding the problem. "Concerned" is not enough for knowledge.

Mr. LEWIS. Mr. Chairman, if I may at this point, I would like to file a very brief summary of the Wagner-Lewis bill of last year, and we have made a summary showing the changes that have taken place.

The CHAIRMAN. Without objection it will be included in the record.

(The statement above referred to is as follows:)



OUTLINE OF WAGNER-LEWIS BILL TO FACILITATE PASSAGE OF STATE LAWS ESTABLISHING SYSTEMS OF UNEMPLOYMENT INSURANCE

Such systems have been already proposed in 27 State legislatures but have failed because of the fear of prejudicing the State's manufacturers in their competition with competitors in States not adopting such unemployment insurance. The bill is designed to remove this obstacle to State legislation by imposing an—

*Equalizing Federal tax.*—On pay rolls of all employers of 10 or more persons (except farmers, governments, employers of domestic servants, teachers, nurses, etc.).

First collection: July 1, 1936. Payment of first year's tax is postponed to July 1936 to allow time for all the States to establish their unemployment insurance systems.

Rate of tax: 5 percent of pay roll. It is intended to reduce the rate from 5 to 3 percent by amendment in committee.

*Credits against tax.*—Employer may offset against the tax whatever he contributes to unemployment insurance reserves under a State law. Also, if State law scales down his contributions because he gives steady employment, he may offset the amount by which his State contributions are thus reduced.

*Minimum benefits to workers.*—State law must provide for payment of not less than (1) weekly benefits of \$7 or 20 hours' wages; (2) for not less than 10 weeks or for a time dependent on period of previous employment.

State laws to decide (1) whether contributions to be made jointly by employers and employees or by employers only; (2) whether insurance reserves shall go into State-wide fund or in company funds; and (3) whether benefits to workers shall be more favorable than minima prescribed by this bill, and the rates of contributions necessary therefor.

OUTLINE OF PRESENT BILL

Such systems have been already proposed in 27 State legislatures but have failed because of the fear of prejudicing the State's manufacturers in their competition with competitors in States not adopting such unemployment insurance. The bill is designed to remove this obstacle to State legislation by imposing an

*Equalizing Federal tax.*—On pay rolls of all employers of 4 or more persons (except governments).

First collection: January 1, 1936.

Rate of tax: 3 percent of pay roll. For 1936 and 1937 the tax would be 1 percent, 2 percent, or 3 percent, depending on the progress of recovery as shown by the Federal Reserve index of industrial production.

*Conditions for getting credit.*—State law must provide: (1) All money raised by contributions must be deposited in special trust fund held by Secretary of Treasury; (2) no money raised by contributions can be spent except to pay benefits, through public-employment offices in the State.

*Credits against tax.*—Employer may offset against the tax whatever he contributes to unemployment insurance reserves under a State law. Also, if State law scales down his contributions because he gives steady employment, he may offset the amount by which his State contributions are thus reduced.

State laws to decide (1) whether contributions to be made jointly by employers and employees or by employers only; (2) whether insurance reserves shall go into State-wide fund or in company funds; (3) what the benefits to workers shall be, and the rates of contributions necessary therefor.

Mr. WOODRUFF. Mr. Chairman, I have before me the hearings before the committee of a year ago. On page 46 of the hearing I find this statement from Mr. Epstein, in answer to a question of Mr. Reed:

It is up to all of us in the different States, as Miss Perkins stated, to fight for the best possible scheme. This bill would help the movement very much.

I think that very clearly establishes the fact that you did not give that bill your unqualified approval, but that you were giving it a sort of a clean bill of health in order to help a great movement to which you have devoted 20 years of your life.

Mr. EPSTEIN. I will say this, Mr. Woodruff, that I am sure you will not find a statement—I have not seen that speech for a long time—that I have approved the provisions of the bill. I did approve of giving it a send-off and saying that it is in the direction of social security.

Mr. WOODRUFF. In other words, your whole testimony so far as I have been able to read it quickly—I have not gone over all of it—indicates to me that the thing you were interested in was the principle of the bill.

Mr. EPSTEIN. The idea, a step toward social security.

Mr. WOODRUFF. Not the provisions of the bill.

Mr. KNUTSON. Mr. Chairman, Mr. Epstein was elaborating on the question I asked him.

Mr. EPSTEIN. On the Townsend idea. I told you I have some statements that I would like to submit to the committee for the record. We made an analysis, for instance, of the comment on the Townsend plan. We got clippings.

The CHAIRMAN. Without objection, the matter will be inserted in the record.

Mr. EPSTEIN. I will just put in a couple of those.

Mr. KNUTSON. If there are any outstanding observations there, please let us have them.

Mr. EPSTEIN. There are two or three observations that might interest you.

Mr. KNUTSON. Let us have them.

Mr. EPSTEIN. We found that out of over 600 papers canvassed only 57 newspapers were favoring the Townsend idea. Five hundred and sixty-four called it a lunacy, and so forth. The favorable papers come from towns like these:

Osceola Independent, Pella Press, Goodland Herald, Clarence Courier, Raton Range, New Egypt Press, Paris Echo, and Parker's Prairie Weekly.

The towns, for instance, where the movement is strongest, will interest you very much. You will find they are:

Alhambra, Calif.; Loveland, Colo.; Palatka, Fla.; Weiser, Idaho; Sedan, Walnut, and Goodland, Kans.; Olivia, Minn.; Mexico, Mo.; Manhattan, Mont.; Ulysses, Nebr.; New Egypt, N. J., Penn Yan, N. Y.; Lisbon, N. Dak.; Ashtabula, Ohio; El Dorado, Okla.; Mechanicsburg, Pa.; Garretton, S. Dak.; Sweetwater, Tex.; Luck, Wis.; and so forth.

The movement is essentially confined to towns that you have never heard about, and where people, of course, do not know too much what is going on in this world, and the promise of \$200 a month sounds terribly good to them and they sign a petition. Anybody in this country will sign a petition to get \$200. Even I could do the petition job. If the newspapers would give me the publicity that they give to Dr. Townsend—here is a great man arriving in the middle of the afternoon by airplane, and the picture on the front page—and make me a Messiah, even I could fill an auditorium in a town.

The CHAIRMAN. We thank you, Mr. Epstein, for your appearance and the testimony you have given the committee.

## EDITORIAL COMMENT ON TOWNSEND PLAN—A STUDY OF THE LAST 8 MONTHS' CLIPPINGS

Favoring the Townsend plan, 57 newspapers.

Opposing, 564 newspapers.

Noncommittal and favoring "further study", 204 newspapers.

Typical of the 57 newspapers who favor the Townsend plan are Osceola Independent, Pella Press, Goodland Herald, Clarence Courier, Raton Range, New Egypt Press, Paris Echo, Parker's Prairie Weekly.

Most of the 57 newspapers have used "canned" editorials sent out by the Townsend organization.

*Opposing.*—Typical editorial comment on Dr. Townsend and his "plan":

If you are not familiar with the latest cabalistic combination of letters, it is time to get acquainted. For O. A. R. P. is the magic formula which is expected to alleviate the misfortunes of age, the distress of the unemployed, the disappointment of profitless manufacturers, and the misconduct of criminals. It combines the virtues of Father John's Medicine and Lydia Pinkhams Compound with the endless possibilities of perpetual motion.—Utica (N. Y.) Press, December 4, 1934.

An economic Lochinvar has come out of the west \* \* \* But how would he do it? In just what language would the doctor write his prescription?—St. Louis Post-Dispatch.

From the State of California, the home of the empiric, the charlatan, the witch doctor, and the religious fanatic emanates the latest pipe dream for alleviating poverty and supporting a favored class of pensioners with other people's money.—Manchester Press, Iowa.

This ingenious nostrum, that was bred in California, that hot bed for naive inanities.—Haverhill Gazette, October 25, 1934.

It's a great scheme. There is nothing like it and nothing so feasible, except perpetual motion and the ever recurrence of suckers.—Corvallis (Oreg.) Gazette-Times, August 28, 1934.

Easterners enviously admit that California has everything, including some of the most fertile imaginations of modern times.—Utica (N. Y.) Press, December 4, 1934.

Whoever wishes to excel him in alluring promises should make the dream book his platform.—Boston Herald, October 25, 1934.

Dr. Townsend, it is evident that in your doctoring of the social and economic malady that you would run true to the form of all fake doctors in the doping of the sick and ailing.—Middleton (Idaho) Herald, September 9, 1934.

These nostrums are like pink pills for pale people. They sound wonderful and are guaranteed to cure every ailment of the ailing human race, but where they are analyzed they are found to be just the same as the good old reliable sugar pills which sold so widely but had no curative values at all.—Syracuse (N. Y.) Post Standard, October 7, 1934.

\* \* \* One of the greatest chimeras of the age. But it is going strong at present, and maybe it serves a useful purpose after all; it may be designed by adroit minds to keep the people pacified during these hard times. Sort of like molasses and feathers on the baby's fingers while ma goes about her work.—Alamogorde (N. Mex.) News, October 18, 1934.

Only the rainbow's pot of gold is lacking in the Townsend scheme to make it complete as a pretty picture. If the Townsend plan were enacted, we'd float around on a bed of roses, sipping nectar through a silver straw. A perfect example of Utopian wooziness.—New York Post, December 24, 1934.

A Christmas card sent out by the Townsend plan asks its recipients to work for the accomplishment of the "Second and greatest humanitarian movement ever designed to bless mankind." Why the modesty?—New York Sun, December 26, 1934.

## THE TRAGEDY AND THE DANGER

It is well to bear in mind that the failure of any old-age pension system that may be adopted would set the movement back 25 or 50 years. We need it now, therefore it behooves us to adopt a plan that will stand up.—Wadena (Minn.) Journal, November 22, 1934.

The idea is a deliberate effort to trade upon human misery.—Los Vegas (N. Mex.) Optic, June 9, 1934.

It is a pity that the hopes of the unfortunate aged should be raised so high with no more chance for fulfillment than exists under this plan.

The cruelest things incident to the depression are the rosy but impossible promises being made to people in distress by ambitious politicians and misguided visionaries.—Columbus (Ohio) Dispatch, November 1, 1934.

Old-age security will be accomplished in this country but it will not come in the form of a gold brick.

To oppose the plan if it were workable would reflect an inhumanity on our part that is beyond description. But to encourage it when every principle of economics and logic argues against it would be even worse. The problem of old age in America deserves more consideration than is contained in an utterly unfillable promise.

The plan would fall of its own weight. And all the progress made in establishing sound and practicable old-age pensions would be lost in one swoop.—Mason City (Iowa) Globe-Gazette, December 7, 1934.

Such roseate schemes only gum the cards for a sound and workable pension deal.—Oregon City (Oreg.) Enterprise, November 25, 1934.

The thing is so impossible that there ought to be no hesitation on the part of any sensible man anywhere to scout it—to cut off the false hope doomed to cruel disappointment.

People fall for such schemes as this pension notion because they assume the huge sounding words of speakers who propose it are proof that it has been worked out. They fall for it because it is loosely termed a "plan", when, in fact, it is not a plan but a wild guess. They fall for it because they hear talk of "old-age insurance."—Milwaukee (Wis.) Journal, September 15, 1934.

In reality the situation is pathetic. Hopes have been buoyed high upon expectations. It would take a spirit from the lamp of the Arabian nights to do the things held out as possibilities under this plan.—Walla Walla (Wash.) Union, December 29, 1934.

One might well suspect that Dr. Townsend was really a practical joker on a large scale.—Eluer (N. J.) Times, November 30, 1934.

The Townsend plan is fantastic in its proposals and it is cruel in arousing hopes that can never be realized.—Modesto (Calif.) Bee News Herald, December 21, 1934.

Therein lies the tragedy of the movement—the disillusionment for those who have had painted for them a roseate picture of comfort in the twilight of life who are facing inevitable disappointment, not because a heartless people begrudge them their ease in old age but because they are seeking a financial impossibility.—Waltham News, December.

There are few episodes in our recent life experience that contain the dramatic pathos which the agitation over the Townsend plan has engendered. Literally hundreds of thousands of our aged citizens had deluded themselves into believing that it was only a question of a few months before all their financial worries would be dissipated. Unable or unwilling to see the disastrous implication of such a scheme or to face the fact that something more than wishes were necessary to put it into effect, they visualized for themselves a completely happy future. It was cruel to let them be fooled. It was absolutely inhuman for peanut politicians running for office to suggest, as many of them did suggest in the recent campaign, that the program had their support.—St. Joseph (Mo.) Journal, November 30, 1934.

Among the probable enactments in the Seventy-fourth Congress will be an old-age pension law. If it should fail, it would be because of complications that would arise from a multiplication of proposals, the most serious of which would be the Townsend plan.—Phoenix (Ariz.) Republic, November 17, 1934.

The Townsend plan will probably furnish this year's most popular alibi. Certain professional horse-traders in Congress will be perfectly willing to use one crazy bill as an excuse for shelving a sane one.—Concordia (Va.) Blade, December 17, 1934.

The pathetic effect of the Townsend propaganda is that it encourages false hopes and deludes the aged. Every day people come into the Capital Journal office asking where they can register to secure the pension, which they think is available.—Salem (Oreg.) Capital Journal, October 10, 1934.

#### RACKETEERING

*Social security.*—The Townsend movement is not without its financial cupidity and the characteristic high-pressure salesmanship which always goes hand in hand with shady business.

## DESPERATION TEMPTS AGED TO TOWNSEND BAIT

Physical suffering is not the only sad effect of an economic depression. The fear, insecurity, and hopelessness of distracted people make them susceptible to the influence of fakirs and utopians who offer attractive but economically impossible proposals. It is here that the greatest social menace of the depression lies.

In the April issue of Social Security we showed how the desperate search of the aged for some security was making them, like the proverbial drowning man, clutch at any scheme, no matter how preposterous or fraudulent. We then disclosed the pension racket conducted by a chiropractor from Tulsa, Okla., with a long criminal record who, through a dime chain-membership scheme, promised his members Federal pensions of \$30 a month. Since the President's message to Congress last June favoring social insurance, 36 new organizations promising old-age pensions of varying amounts and at various ages have sprung up in the United States. The most wide-spread of these is what is known as the "old-age revolving pension plan" or the "Townsend plan." As a result of many requests we are submitting herewith some comments on this plan:

Dr. Francis Everett Townsend, the author of this plan, graduated from Nebraska University Medical School at the age of 36 and practiced in the Black Hills of South Dakota until the age of 52, when he moved to California. For a while he was assistant health officer in Long Beach. Briefly, his proposal seeks the payment of \$200 a month by the Federal Government to 60-year-old citizens who are not habitual criminals upon promise to retire from work and to spend the allotted money within the month they receive it. Applicants for these pensions would merely have to take an oath that they would spend the money in the United States the same month.

## "PLAN" A CURE-ALL

The old-age revolving pension plan, as presented by Dr. Townsend and his apostles, is not merely a pension scheme for the aged. It is the long-sought cure-all to "banish poverty and its attendant evils" eliminate unemployment, "start the wheels of industry", provide jobs for everyone "at a pay undreamed before", free trade "from fear of panic or boom", stop hoarding, stabilize prices "at a level high enough to insure a fair profit to the producers at all times", inflate buying power, bring back such prosperity "that there would not be enough labor to transact business", "stimulate the invention of machines", "insure the continuance of the profit system of doing business", send the national income flying up, eliminate "the injustice of permitting the wealth of the Nation to accumulate in the hands of a few", keep money in America, insure a "steady and sufficient flow of money", forestall revolutions, ruin the radical movements, save the Democratic form of government, end dissatisfaction, end "the fear of the poorhouse and dread of having to receive charity", "do away with the incentive to crime", "entirely remove the fear of want", "greatly stimulate education", empty the prisons and lunatic asylums, "check the mentally defective", "enrich the world with artistry", add to the wisdom of the human race, and assure "justice to all"—in short bring down several Heavens at once to this distracted earth. The Townsend plan is that impossible dream—the cure of all ills, the medicine for all diseases, the solvent of all problems, the magic for all fears.

## SOCIAL INSECURITY GREATEST MENACE TO WELFARE

For many years we have warned that the lack of social security in the United States constitutes the greatest menace to American welfare. No civilized nation has neglected its dependent aged as has the United States, and it is but natural that people who are facing a dark future without adequate pension systems should not be able to resist the strong appeal of this fantastic utopia. Had America established a system of social security when other nations did, we would have been spared the present harvest of economic lunacies and wild panaceas. Dr. Townsend's plan has, indeed, taken the Nation by storm. Organizations have been launched in practically every State in the Union and his disciples claim millions of members.

Although the plan is being pushed vigorously as a purely unadulterated panacea with a moral halo, its members are asked only to sign a petition asking

Congress to adopt the plan. At the same time the movement is not without its financial cupidity and the characteristic high-pressure salesmanship which always goes hand in hand with shady businesses. Apparently it is supplied with ample funds from the stimulated sale of millions of copies of a booklet, 16 pages for 25 cents, and "beautifully engraved membership certificates", which mean absolutely nothing, for \$1. The offices of the organization are reported to be a block long and employing many workers. A number of organizers are traveling all over the country selling the idea to the public.

#### UNSCRUPULOUS CLAIMS MADE FOR PLAN

The altruistic coworkers of Dr. Townsend are unscrupulous in their ballyhoo. Not only is every critic of the plan condemned as a mercenary reactionary but fictitious claims are made as to its supporters. This was illustrated recently by a statement published by the sponsors of the plan that they received a letter from a C. R. Harris, supposedly consulting engineer of the President's Committee on Economic Security, strongly endorsing the plan, and that "we are led to believe that we will have the backing of the President in placing our plan before Congress."

Actually no such committee member exists, as evidenced by Prof. Edwin E. Witte, executive director of the committee, who wrote to the Pasadena Star News objecting to the statement. Dr. Witte's letter to the editor follows in part:

"This entire story is so grossly misleading that we cannot permit it to go unnoticed. This committee does not have a 'consulting engineer' and the only man by the name of C. R. Harris of whom we have any record is a consulting engineer in Los Angeles who has written glowing letters endorsing the Townsend plan. Neither this man nor any other C. R. Harris has any connection with the Committee on Economic Security, nor has the President or anyone connected with this committee endorsed the Townsend old-age revolving pension plan.

"This newspaper story is in line with the publication of the picture of the President and extracts from his message of June 8, 1934, in many of the numerous publications which the Townsend organization and other similar organizations are selling to elderly people and others throughout the country.

"This committee has information showing that in the last months, since President Roosevelt in his message on June 8 indicated that he was considering old-age-pension legislation to be presented to the next Congress, no less than 36 different organizations has sprung up which are promoting particular old-age-pension schemes—most of them utterly fantastic and financially impossible. Almost without exception these organizations are selling magazines, booklets, and other publications to elderly people at a price far exceeding the cost of publication. These organizations are doing an incredible amount of harm, not only in filching pennies from the poor but in arousing hopes among the aged that cannot possibly be fulfilled. All sincere supporters of old-age pensions should be warned against these organizations. Elderly people should be told frankly that the contributions which they make to these organizations retard rather than advance the old-age-pension movement."

#### WOULD REQUIRE 80-PERCENT SALES TAX

Not only does the Townsend plan make fantastic claims as to its effects but it is ruinously unsound in its economics. Dr. Townsend claims that his plan would pension 8,000,000 of the approximately 11,000,000 people over 60 years of age. At \$2,400 per year this would cost approximately \$20,000,000,000 yearly in payments. In other words, one-half of the whole national income would be paid over to the 6 percent of the population which this group constitutes. This amount is seven times the entire normal Budget of National Government and only a few billion less than the total national debt. Incredible as the sum appears, it must be remembered that nothing had been allowed for the administration, which may require many more billions in watching the spending practices and lives of 8,000,000 people.

Where is the money to come from? Dr. Townsend proposes a single sales tax, which his followers claim would amount to 10 percent. The absurdity of this is obvious. In 1933 the total retail sales of the Nation amounted to \$25,700,000,000. To raise \$20,000,000,000 Dr. Townsend would need a sales tax of about 80 percent. In other words, the price of every article would have to be nearly doubled. This would cut consumption considerably and necessitate a larger

sales tax and the cycle of increased sales tax, decreased consumption, less production and more unemployment would continue until the whole economic structure of the country would be ruined.

#### SCHEME DISCREDITS CONSTRUCTIVE PLANS

The association must issue a warning to all true friends of the aged that the Townsend plan is a delusion and a snare. The scheme is fantastic and unrealizable. Its inevitable failure will have the deplorable effect of discrediting sound and constructive proposals for the aged. Congressmen, public officials, and newspapers which appreciate the harm done by such a movement are courageously denouncing it.

In a speech in San Francisco on October 6, Secretary of Labor Frances Perkins sounded a warning against raising the hopes of the aged with rash promises of large pensions. "No large pension for everybody over 60", she declared, "is within the realm of possibility."

"It is certain that such proposals are working incalculable harm to the cause of old-age pensions", Congress David J. Lewis, of Maryland, long a leading advocate of old-age pensions, warned the people. "These organizations ostensibly have been formed to promote particular plans for old-age pensions, but seem interested often in the money they collect from elderly people through contributions and the sale of booklets and magazines, and even of petitions to be sent to Members of Congress. The old-age-pension plans proposed are often fantastic and serve no purpose other than to arouse hopes among the aged which cannot possibly be fulfilled.

"The most damnable feature of these schemes is that so many of them are exploiting the stand President Roosevelt has taken in favor of old-age pensions", Congressman Lewis stated. "Elderly people of small means are being led to believe that by joining these associations and buying their literature they are helping the cause of old-age pensions, while in fact they are only prejudicing people against the President and making it more difficult to get pension legislation through the next Congress."

Dr. J. H. Paul, director of old-age pensions for Salt Lake County, Utah, who has devoted many years of his life to improve the lot of the aged, denounced the Townsend plan as "utterly preposterous and impossible of fulfillment." "It would get no votes in Congress", he added, "but it does serve to bring the cause or old-age pensions into disrepute. \* \* \* I feel justified in saying that the Townsend plan is a delusion and a snare, unsound, unfair, dangerous, wrong in every detail."

It is testimony to the efforts and educational work of the American Association for Social Security and to the 20 years' work of some of its officers that millions of Americans have become so aroused over the plight of the aged. But the fact that so many people can support the proponents of false and grandiose plans is another proof that this Nation has too long delayed the establishment of sound and decent old-age pension systems, adequate unemployment-insurance plans, and constructive plans for health insurance. That this delay will play into the hands of demagogues and charlatans we have warned time and again.

Every period has its promoters—the so-called "stump speakers" for Mr. Townsend and his plan of Utopia seems to be getting a great following—to the delight and financial reward of a few and the eventual disappointment of thousands later.—Jamestown (Kans.) Optimist, December 13, 1934.

In comparison some of the get-rich-quick schemes of financial promoters are mild and conservative.—Indianapolis (Ind.) News, November 22, 1934.

The money will be better to keep a little food in the cupboard instead of keeping Townsend in ease.—Mankato Advocate, December 13, 1934.

The doctor who proposed \$200 monthly old-age pensions has moved his headquarters to a fashionable Washington hotel. At least he has gotten something.—Sarasota Herald, December 12, 1934.

It must be remembered that the Townsend plan is not new. Similar proposals, without number, almost, have been made in the past under somewhat different guise, but all with about the same result, the man thinking it up first and being able to sell the idea to the public getting the big end of the benefit.—Idaho Falls (Idaho) Post Record.

The Townsend plan promoters are making sure that they, at least, won't need any old-age pensions.

Bulletin No. 8 addressed to all Townsend clubs, by Mrs. Robert E. Clements, lamenting: "The mass meetings were a huge success as to attendance, but unfortunately I can't say that about your donations. Waco, Tex., got so enthused they forgot to take up the collection."

The wild promises of promoters and racketeers who are collecting thousands in dues and fees from trusting old folks in their second childhood who have renewed their faith in Santa Claus.—Highland County News (Fla.), December 6, 1934.

It is a pure waste of money for elderly persons to pay membership fees or dues into an organizer's hands.

On the heels of the Townsend plan and one or two others with similar proposals have sprung up a number of other "plans" whose organizers have but one idea in view: To mulct eligible persons out of their hard-earned money.—Nebraska City (Nebr.) Press, November 29, 1934.

It might be well for the millions of elderly people in this country to investigate carefully anybody's Utopian scheme. And this is especially fine where the signers are asked to pay a fee to help spread the glad tidings. Somebody backstage always gets the fee.—Kingman (Kans.) Journal, December 14, 1934.

The argument is made that the tax would not be levied on income but on sales turnover, yet nobody has yet explained how any tax can be financed except out of gross income, which ultimately must come from production enterprise. Anything else is akin to perpetual motion, or to the scheme of getting rich by taking in one another's washing, or lifting oneself by one's own bootstraps.—Willingham (Wash.) Herald, November 21, 1934.

Those who advocate this Townsend plan persistently seem to overlook one thing, and that is that with the pension paid out of funds raised from the levying of sales tax the total purchasing power of the country would not be increased one dollar. The money to pay this sales tax does not grow on trees, nor could it be taken out of the air, it would have to come from the pocket of the people, paid each time they purchased the necessities of life. Whatever amount would be paid each month or each year in the shape of sales tax would be spent for commodities of any kind by those who paid it and their purchasing power.—News, Atlanta, Ga., July 27, 1934.

To reap them as in the past \* \* \*. The millionaires' tax burden would be lessened, the ditchdigger's greatly increased. The net result for those under 60 would be to make the rich much richer and the average man and the poor man much poorer.—Hutchinson (Kans.) Herald, December 4, 1934.

The bill is to be financed through a natural sales tax. That is the joker. The sales tax is the most unfair of all methods of taxation as it puts the burden of taxation upon those least able to pay. The worker spends a larger percentage of his income for commodities and goods than does the capitalist, yet is less able to spend. Financing a program by such a method throws the burden of support of the aged upon workers rather than upon those who have grown rich from the labors of the pensioned during their productive years.—Labor News, Butte, Mont., October 25, 1934.

*Concentration.*—A study of newspaper reports of Townsend meetings reveals a concentration in the States of California, Colorado, Florida, Ohio, Kansas, and Texas.

Representative metropolises boasting of Townsend organizations are: Alhambra and Gudley, Calif.; Loveland, Aspen, Deer Trail, Colo.; Palatka, Clearwater, Fla.; Weiser, Barley, Idaho; Sedan, Walnut, Goodland, Kingman, Bud City, Horsington, Lowell, Neodesha, Wamego, Coffeyville, Kans.; New Ulm, Olivia, Minn.; Boonville, Joplin, Mexico, Mo.; Froid, Chotlau, Bozeman, Manhattan, Mont.; Lodge Pole, McCool Junction, Tekamah, Ulysses, Neligh, Nebr.; New Egypt, N. J.; Penn Yan, Newfane, Ovid, N. Y.; Lisbon, N. Dak.; Ashtabula, Elyria, Holgate, Archbold, Conneaut, Ohio; Pona City, Duke, Celva, Obeene, El Dorado, Okla.; Mechanicsburg, Canonsburg, Pa.; Garretson, Belle Fourche, S. Dak.; De Leon, Electra, Happy, Waxahachie, Cuero-Spur, Italy, Canadian, Waco, Sweetwater, Tex.; Walla Walla, Noquiam, Wash.; Wewerhauser, Luck, Wis.; Baggs, Wyo.

To prove the rule, there are strong Townsend organizations in the following cities: Toledo, Cleveland, Rochester, Denver, Los Angeles.