

## **ECONOMIC SECURITY ACT**

**TUESDAY, FEBRUARY 5, 1935**

**HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
Washington, D. C.**

The committee met at 10 a. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order.

The first witness this morning, in further consideration of the economic recovery bill, is Hon. Henry Morgenthau, Jr., Secretary of the Treasury.

We are also honored with the presence of Miss Perkins, the Secretary of Labor, whom we shall be glad to hear if she desires to make a statement this morning.

Mr. Secretary, we shall be pleased to hear you at this time.

### **STATEMENT OF HON. HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY**

Secretary MORGENTHAU. Mr. Chairman and gentlemen of the committee:

The chief suggestions that we should like to make in connection with the economic security bill are the following: (1) The substitution in the contributory old-age annuity system of a scale of contributory taxes and benefit payments that will facilitate the continued operation of the system on an adequate and sound financial basis, without imposing heavy burdens upon future generations; (2) the transference from the Social Insurance Board to the Treasury Department of the function of issuing and selling voluntary annuity certificates; and (3) administrative simplification.

#### **OLD-AGE PROVISIONS**

1. By inaugurating a national contributory old-age annuity system, the Federal Government is undertaking very heavy responsibilities extending from year to year into the indefinite future. Under the modification that we shall suggest, as well as under the plan now incorporated in the economic security bill, the sums to be paid out each year in benefit payments will rise to more than \$4,000,000,000. It is obvious that we must make sure now that the provisions incorporated in the bill will enable the Federal Government continuously to meet the heavy and recurring liabilities that will be imposed upon it.

2. Under the provisions now embodied in the economic security bill, the Federal Government is called upon to defray, out of its general

revenues, not only one-half the cost of the Federal-State system of noncontributory old-age assistance, but also the cost of substantial unearned gratuities that are provided under the contributory system for persons who will retire during the next 40 years. The benefits provided for such persons will be substantially in excess of the contributions, plus interest, made in their behalf. Such excess benefit payments would be borrowed from current contributions to the fund and repaid with compound interest in subsequent years. In consequence, under the present bill, by 1980 and forever after, the cost of the contributory system to the Federal Government is estimated at \$1,500,000,000 a year. This burden is in addition to a Federal cost estimated at \$504,000,000 a year in 1980 and thereafter for the noncontributory system.

3. The alteration that we recommend will make it possible, without the imposition of onerous burdens upon the future, to provide annuities ranging from \$22.50 to \$82.50 per month for individuals whose monthly wages have averaged \$150 or more; \$15 to \$55 for those whose monthly wages have averaged \$100; and \$7.50 to \$27.50 for those whose monthly wages have averaged \$50—the monthly annuities in each case varying with the number of years of contributions. This scale of benefits is the same as that now incorporated in the economic security bill for those who retire during the first 10 years. Our scale is somewhat smaller than that now incorporated in the bill for those who retire between 10 and 30 years after the system goes into effect; and our scale is distinctly higher thereafter. The aggregate benefit payments under the plan that we propose are substantially identical with those now incorporated in the bill, as may be seen in the appended tables. The small number of individuals who receive very modest annuities under the scale that we recommend would be eligible to have these supplemented under the noncontributory system, precisely as is the case under provisions now incorporated in the bill.

4. Any actuarial computations extending indefinitely into the future, such as are necessary for the establishment of a national contributory old-age annuity system, inevitably rest upon assumptions and forecasts that are subject to a very considerable margin of error. Subject to this acknowledged limitation, it is our opinion that the national contributory system can be launched and maintained on a sound financial basis by establishing the combined rate of pay roll and earnings taxes at 2 percent for the first 3 years, 3 percent for the next 3 years, 4 percent for the third 3-year period, 5 percent for the fourth 3-year period, and 6 percent thereafter; in substitution for the rates now incorporated in the bill, which start at 1 percent and are increased by 1 percent at the end of each 5 years until a permanent level of 5 percent is reached at the end of 20 years.

5. A combined contributory tax rate of 5 percent is the minimum that will permit the payment of adequate annuities and at the same time maintain the financial integrity of the system under both the present economic security provisions and under our proposed alteration. But a 5 percent rate can do this only if it is imposed from the start. Under the present provisions of the economic security bill, a 5-percent rate does not go into effect for 20 years. Hence, under the bill a heavy deficit is accumulated in the early years, and the small sums paid on behalf of individuals now middle-aged or over are kept so low as to be far out of keeping with the benefit payments scheduled

for them upon retirement—despite the fact that the majority of such individuals will have means of their own. Under our proposal, the 6-percent rate that goes into effect at the end of 12 years will make up for the deficiency created by the low rates that will be in effect during the earlier years of the system.

6. Under our proposal, the Federal Government would guarantee an investment return of 3 percent on all receipts from the pay-roll and earnings taxes that were not currently disbursed in benefit payments. Such sums would be used progressively to replace the outstanding public debt with the new liability incurred by the Federal Government for old-age annuities. To the extent that the receipts from the old-age annuity taxes are used to buy out present and future holders of Government obligations, that part of the tax revenues that is now paid out to private bond holders will be available for old-age annuity benefits; thereby minimizing the net additional burdens upon the future. Such accumulations and public debt retirement will, of course, be relatively small during the first 10 years by reason of the low tax rates with which we propose that the system should be inaugurated.

7. It should be emphasized that the Federal Government, by inaugurating a national contributory old-age annuity system, is undertaking responsibilities of the first magnitude. Not only is it committed to paying a 3-percent return upon all collections in excess of current benefit payments involved, but it is also diverting for the purpose of old-age security a very large fraction of its possible tax revenues. But we recommend this deliberately, in view of the outstanding importance of objective. We know, moreover, that, even in the absence of the well-considered legislation, we cannot avoid important financial outlays for the care of the aged. Students of our population trends tell us that the proportion of the aged and of the dependent aged in our population gives promise of increasing very materially in the course of the next few generations.

8. There are some who believe that we can meet this problem as we go by borrowing from the future to pay the costs. They are willing to incur the large and growing new liability for old-age annuities without effecting any compensating reductions in the outstanding public debt, reductions that could be represented by a reserve account in the Treasury. They would place all confidence in the taxing power of the future to meet the needs as they arose.

We do not share this view. We have already cited the fact that the aggregate benefit payments under our proposal, as under that of the economic security bill, will eventually exceed \$4,000,000,000 a year. We cannot safely expect future generations to continue to divert such large sums to the support of the aged unless we lighten the burdens upon the future in other directions. If we fail to do this, the \$4,000,000,000 a year will be a net additional burden. Such a burden might well jeopardize the continued operation of the system. If, on the other hand, we are able to reduce the necessary outlays of future generations in other directions, as by retiring a large part of the public debt, and by the provision of useful public works, we can look forward with far more assurance to the continued support of the system. This, then, is the purpose of our proposal. We desire to establish this system on such sound foundations that it can be continued indefinitely in the future; and, at the same time, to meet

the highly desirable social objective of providing an adequate annuity without a means test to all eligible workers upon retirement.

9. We recognize that the incidence of the pay-roll and earnings taxes appears to be largely upon the mass of our population. But it should be emphasized that the effect of these taxes is to provide a substitute form of savings from which our workers will receive far greater and more assured benefits than from many other forms of savings now in existence. These taxes, in other words, will not be a net deduction from workers' incomes. They will release funds, as well as relieve anxiety, hitherto directed toward the universal problem of providing against one's old age.

10. Further, it is entirely possible that improvements in our revenue system may permit us in the course of time to reduce various taxes on consumption goods; and thereby to return to the mass of our population in this form what is taken from it in the form of pay-roll and earnings taxes.

11. Appended hereto are tables presenting the character of the tax rates, net total contributions after deduction for administrative expenses, estimated benefit payments, Federal contributions, and reserves, under both the national contributory old-age provisions as now incorporated in the economic security bill and under our proposed alteration.

#### VOLUNTARY ANNUITY CERTIFICATES

It would appear to be highly desirable that the function of issuing, and determining the terms and conditions of issue, of voluntary annuity certificates be in the hands of the Treasury rather than in those of the Social Insurance Board.

These certificates will be direct obligations of the United States, and will involve rates of interest, direct or indirect. They will differ, chiefly in form, from other interest-bearing obligations of the United States. For example, a 20-year Treasury bond contains the promise of the United States to make 40 semiannual interest payments as well as a principal payment at maturity. An annuity certificate would also contain the promise of the United States to make a series of periodical payments. Depending upon the character and form of the annuity, these payments might be made monthly, quarterly, or otherwise; they might be made for a stated limited period, or they might be made until the death of the holder; or they might even be made in perpetuity to any holder. Whether the payments were to begin immediately after the purchase of the annuity, or whether the contract called for payments beginning 20 or 30 years from that date, or when the holder attained the age of 65, the certificates in all cases would constitute promises of the United States, precisely like other direct Treasury obligations.

The language of title V providing for these certificates is very broad in character and would appear to permit the sale of all the types of certificates just indicated. It would be wholly desirable to retain such a broad choice of forms; but the intent of the Congress in providing this wide range should be made absolutely clear. In any event, however, the terms of issue of the certificates and the rates of interest involved would appear to be proper matters for determination by the Treasury.

Before taking up the next paragraph, which is entitled "Administrative Simplification", I would like to say that from here on I am presenting the Treasury's own attitude toward the collection of this tax; that is, this is the attitude of the Bureau of Internal Revenue on whom the burden of collecting these taxes will fall. As I say, this is purely the Treasury's statement. Up to this point, those of us who have worked on this bill are in complete accord. But I wish to point out that from here on the matter discussed is one which has been brought to my attention by the Bureau of Internal Revenue. I feel it is my duty to point that out to the committee, and I want to emphasize once again that this is purely the Treasury's attitude.

Mr. COOPER. Mr. Chairman, may I ask the Secretary a question?

The CHAIRMAN. Mr. Cooper of Tennessee.

Mr. COOPER. By that, Mr. Secretary, we are to understand that the Economic Security Committee is in agreement and submits jointly all of the statement which you have read up to this point?

Secretary MORGENTHAU. Up to this point, yes.

Secretary PERKINS. Yes, sir.

Mr. TREADWAY. May I ask a question, Mr. Chairman?

The CHAIRMAN. Mr. Treadway—

Mr. TREADWAY. From the point where you are now about to read, your Department is not in agreement with the bill as submitted to us? Is that what you mean, Mr. Secretary?

Secretary MORGENTHAU. I would not put it that way. I simply feel that this is a matter the responsibility for the carrying out of which will fall on the Bureau of Internal Revenue. They raised the point as to whether they can enforce this, and I, as Secretary of the Treasury, feel that I should bring it to the attention of this committee.

Mr. TREADWAY. I assume that you concur with the Bureau of Internal Revenue on this point?

Secretary MORGENTHAU. Oh, yes.

Mr. TREADWAY. You approve what they are recommending to you for you to submit to the committee?

Secretary MORGENTHAU. Yes. Otherwise, I would not read it.

Mr. TREADWAY. That is what I assumed.

Secretary MORGENTHAU. I would not read it unless I believed in it.

Mr. TREADWAY. I wanted it to be perfectly clear in the record.

Secretary MORGENTHAU. I want to make it clear that Miss Perkins and I are in complete accord, but this particular matter is purely one of administration.

The CHAIRMAN. Please proceed.

Secretary MORGENTHAU.

#### ADMINISTRATIVE SIMPLIFICATION

This committee is well acquainted with the Treasury's attitude on law enforcement. If there is a law on the statute books to be enforced by the Treasury, we insist on enforcing it to the utmost of our powers. But in one respect the bill in its present form imposes a burden upon the Treasury that it cannot guarantee adequately to meet.

The national contributory old-age annuity system, as now proposed, includes every employee in the United States, other than those of governmental agencies or railways, who earns less than \$251 a

month. This means that every transient or casual laborer is included, that every domestic servant is covered, and that the large and shifting class of agricultural workers is covered. Now, even without the inclusion of these three classes of workers, the task of the Treasury in administering the contributory tax collections would be extremely formidable. If these three classes of workers are to be included, however, the task may well prove insuperable—certainly, at the outset.

I want to point out here that personally I hope these three classes can be included. I am simply pointing out the administrative difficulty of collecting the tax from those classes.

Mr. REED. Mr. Secretary, your views with regard to the difficulty of collecting this tax coincide with the experience of Great Britain insofar as the domestic-service class is concerned over there.

Secretary MORGENTHAU. I am sorry, Mr. Congressman, that I am not familiar with the experiences of Great Britain. I am simply pointing out what I feel is a difficulty. Perhaps we can work out some way of overcoming that difficulty.

Mr. REED. The British Government had that difficulty, exactly along the lines you mention, and those people were eliminated from the provisions of their security act.

Secretary MORGENTHAU. I do not happen to be familiar with the British experience or practice in that respect.

The CHAIRMAN. In other words, you are presenting a very serious difficulty which you have thus far not been able to find a way of overcoming?

Secretary MORGENTHAU. Up to now. But I am asking the Bureau of Internal Revenue to try their best to find some way whereby this tax can be collected. As soon as they find a way, I shall ask them to bring it to this committee's attention.

Under the income-tax law, the Bureau of Internal Revenue last year handled something less than 5 million returns; with the present nearly universal coverage of the bill's provisions with respect to contributory old-age annuities, we estimate that some 20 million returns would be received. In addition, there would be required the sale of stamps to be used in connection with hundreds of thousands of odd payments for casual work, often for only a few hours' duration. We recognize, without question, the need of these classes of workers for the same protection that is offered other employed workers under the bill. But we should like to ask the committee to consider the question whether it is wise to jeopardize the entire contributory system, as well as, possibly, to impair tax-collecting efforts in other fields, by the inclusion under the system of the necessity for far-flung, minutely detailed, and very expensive enforcement efforts.

In view of the great importance of our objective, we should greatly regret the imposition of administrative burdens in the bill that would threaten the continued operation of the entire system. After the system has been in operation for some years, more inclusive coverage may prove to be entirely practicable; but we should like to see the system launched in such fashion that its administrative as well as its financial provisions contribute directly to the assurance of its success.

I assume it will not be necessary for me to read the tables that are submitted in connection with my statement.

The CHAIRMAN. I do not think that is necessary. They will be put in the record at this point.

(The tables submitted with the statement of the Secretary are as follows:)

*Economic security plan*

[All estimates in millions]

Year	Net contributions	Interest on reserve	Federal contributions	Benefit payments	Reserve end of year
1937	302.9	0.0	0.0	0.7	302.3
1938	306.0	9.1	0.0	2.0	615.3
1939	308.9	18.4	0.0	3.3	939.3
1940	312.0	28.1	0.0	4.8	1,274.7
1945	666.1	104.9	0.0	190.1	4,079.6
1950	1,064.0	209.3	0.0	577.1	7,673.9
1955	1,507.3	324.9	0.0	1,149.6	11,511.6
1960	1,963.3	424.0	0.0	1,924.8	14,595.7
1965	2,042.5	458.0	165.7	2,532.8	15,266.7
1970	2,121.5	458.0	632.8	3,112.8	15,266.7
1975	2,200.7	458.0	1,034.3	3,611.2	15,266.7
1980 and thereafter	2,216.7	458.0	1,478.7	4,153.3	15,266.7

Source: Committee on Economic Security.

*Suggested basis of national contributory old-age annuity system*

[All estimates in millions]

Year	Net contributions	Interest on reserve	Federal contributions	Benefit payments	Reserve end of year
1937	623.3	0.0	0.0	1.3	622.0
1938	629.5	18.7	0.0	4.0	1,266.1
1939	635.6	38.0	0.0	6.7	1,933.0
1940	980.0	58.0	0.0	10.8	2,960.2
1945	1,393.3	237.5	0.0	207.6	9,338.8
1950	2,185.1	498.7	0.0	623.6	18,682.8
1955	2,280.0	796.8	0.0	1,223.5	28,413.5
1960	2,375.1	1,046.5	0.0	2,023.2	36,281.7
1965	2,470.0	1,231.5	0.0	2,628.4	42,122.5
1970	2,565.1	1,370.0	0.0	3,191.2	46,408.9
1976	2,660.0	1,462.3	0.0	3,692.3	49,173.3
1980	2,660.0	1,502.3	0.0	4,146.3	50,093.7

Source: Committee on Economic Security.

*Present economic security annuity scale*

FOR ENTRANTS PRIOR TO 1942

Years of contribu-tion	Monthly annuity based on level monthly wage of—			Years of contribu-tion	Monthly annuity based on level monthly wage of—		
	\$50	\$100	\$150 and over		\$50	\$100	\$150 and over
5	\$7.50	\$15.00	\$22.50	30	\$20.00	\$40.00	\$60.00
10	10.00	20.00	30.00	35	20.00	40.00	60.00
15	15.00	30.00	45.00	40	20.00	40.00	60.00
20	20.00	40.00	60.00	45	20.00	40.00	60.00
25	20.00	40.00	60.00				

FOR ENTRANTS IN 1942 AND AFTER

5	\$5.00	\$10.00	\$15.00	30	\$17.50	\$35.00	\$52.50
10	7.50	15.00	22.50	35	20.00	40.00	60.00
15	10.00	20.00	30.00	40	22.50	45.00	67.50
20	12.50	25.00	37.50	45	25.00	50.00	75.00
25	15.00	30.00	45.00				

Source: Committee on Economic Security.

*Suggested basis of national contributory old-age annuity system—illustrative annuities*  
**ENTRANTS OVER 40 YEARS OF AGE**

Years of contribution <sup>1</sup>	Monthly annuity based on level monthly wage of—			Years of contribu-tion <sup>1</sup>	Monthly annuity based on level monthly wage of—		
	\$50	\$100	\$150 and over		\$50	\$100	\$150 and over
5.....	\$7.50	\$15.00	\$22.50	30.....	17.50	35.00	52.50
10.....	10.00	20.00	30.00	35.....	17.50	35.00	52.50
15.....	12.50	25.00	37.50	40.....	17.50	35.00	52.50
20.....	15.00	30.00	45.00	45.....	17.50	35.00	52.50
25.....	17.50	35.00	52.50				

**ENTRANTS UNDER 40 YEARS OF AGE**

5.....	\$2.50	\$5.00	\$7.50	30.....	20.00	40.00	60.00
10.....	5.00	10.00	15.00	35.....	22.50	45.00	67.50
15.....	7.50	15.00	22.50	40.....	25.00	50.00	75.00
20.....	12.50	25.00	37.50	45.....	27.50	55.00	82.50
25.....	17.50	35.00	52.50				

<sup>1</sup> Service rendered after attaining age 65 is not counted in computing benefits.

Source: Committee on Economic Security.

Mr. KNUTSON. Mr. Secretary, you are making some recommendations of changes in the bill that we have before us?

Secretary MORGENTHAU. Yes, sir.

Mr. KNUTSON. It was my understanding that the bill we have before us, H. R. 4120, was the product of the Economic Security Committee appointed by the President.

Secretary MORGENTHAU. That is right.

Mr. KNUTSON. When were these changes agreed upon, Mr. Secretary?

Secretary MORGENTHAU. Mr. Knutson, the fact that the changes have been made as late as this is purely my own fault. Unfortunately, I had so many administrative duties to perform. I worked for 3 months on the \$4,800,000,000 bill that was recently before the Congress. I took part in the preparation of the Budget. So it is my fault that I did not get to this earlier. I simply felt that I had better be late and be right.

Mr. KNUTSON. We have put in 2 weeks of hearings on H. R. 4120. I am just wondering whether the changes that you have proposed this morning would necessitate continued hearings, perhaps for as long a time as we have been in session on this bill.

Secretary MORGENTHAU. Of course, that is up to the committee, as to whether they want to have further hearings on the bill.

Mr. VINSON. May I suggest to the gentleman from Minnesota that several of these suggestions that have been made this morning were mentioned during the course of the hearings. For instance, the exclusion of the agricultural workers, domestics, and the casual workers from the compulsory contributory plan was discussed freely, as I recall it.

Dr. Witte made the statement that the exclusion of those from the contributory system could be had without any added burden to the fund or to the system.

Mr. KNUTSON. That is true.

The CHAIRMAN. If Mr. Knutson will yield—

Mr. KNUTSON. Of course.

The CHAIRMAN. The Chair would like to suggest that unless someone should request to be heard in opposition to the proposed changes, further hearings will not be necessary on those proposed changes. Should any one request that they be heard in opposition to those changes that might change the situation.

Mr. KNUTSON. Mr. Secretary, under your annuity plan as proposed this morning, what is it going to cost in 1980?

Secretary MORGENTHAU. On the contributory part of the plan it will cost the Government nothing. It will be self-sustaining.

Mr. KNUTSON. What will the entire plan cost? Will it materially change the cost to the Federal Treasury?

Secretary MORGENTHAU. The noncontributory part of its will cost the Treasury something over \$500,000,000.

Mr. KNUTSON. That is in 1980. And that would become a fixed charge upon the Treasury annually, of \$500,000,000?

Secretary MORGENTHAU. Yes.

Mr. KNUTSON. What about the old age part of it?

Secretary MORGENTHAU. That will be zero.

Mr. KNUTSON. You mean the old-age pension plan will take care of itself in 1980?

Secretary MORGENTHAU. Yes, sir.

Mr. TREADWAY. Mr. Secretary, you speak about being delayed in getting up your recommendations. We have been urged to hasten this bill. You regard this as a very important piece of legislation, do you not?

Secretary MORGENTHAU. Very important.

Mr. TREADWAY. Do you think there is any occasion for Congress to hurry in its consideration of it?

Secretary MORGENTHAU. I would not advise the Congress, sir.

Mr. TREADWAY. Oh, you have so many times and in so many ways, I think we ought to ask for your advice now.

Secretary MORGENTHAU. I have never been so rash as to advise Congress.

Mr. TREADWAY. Let me approach this from a different avenue, then. It is queer how much confidence some people have in Congress, much more than I personally have, with the present set-up of it.

Mr. Secretary, Dr. Witte insisted—I do not mean insisted in the rude sense of the word—but was very positive that we should hasten to proceed as rapidly as possible, because he said there were 44 State legislatures in session this year. Do you think that the action of Congress should be in any way subservient to, or based upon, what legislatures may do after congressional action?

Secretary MORGENTHAU. I do not think I could answer you on a question like that. You have been here so much longer than I.

Mr. TREADWAY. That was the reason given by Dr. Witte for suggesting to us to hurry our action. Personally, I do not agree with him.

Secretary MORGENTHAU. You have been here so many years, you know much better than I what Congress should or should not do.

Mr. TREADWAY. But is not that a fair question, Mr. Secretary? We are advised by the secretary of this committee, of which you are the chairman, or one of the most important members—

Secretary MORGENTHAU. Just a member.

Mr. TREADWAY. Your secretary, your employee, has very definitely advised us to hurry. Do you approve his recommendation or not?

Mr. DISNEY. Mr. Chairman, is that in order when we have important business to proceed with?

Mr. DINGELL. Mr. Chairman, I object to the gentleman abusing the witness.

Mr. TREADWAY. You object to what?

Mr. DINGELL. I suggest to the gentleman from Massachusetts that he has been trying to force an answer to that question from every witness who has appeared here.

Mr. TREADWAY. I have a right to do that, as a member of this committee.

Mr. DINGELL. I submit that the Secretary of the Treasury is not here to advise this committee or Congress as to the length of time necessary for the proper consideration of this legislation. That is for ourselves to determine.

Mr. TREADWAY. I am not insulting the secretary in any way. I shall submit to the chairman of this committee, not to you, sir, for judgment as to the propriety of what I am doing. The chairman has the power to keep order here, not a subordinate member of the committee.

The CHAIRMAN. Gentlemen, I hope we will not have any controversy.

Mr. HILL. Will the gentleman from Massachusetts yield to me?

Mr. TREADWAY. Yes, but I do not intend—

Mr. HILL. I am not going to lecture you.

Mr. TREADWAY. No, and I do not intend to take it. [Laughter.]

Mr. HILL. I just want to ask the gentleman from Massachusetts if he has observed any evidence of undue haste on the part of this committee.

Mr. TREADWAY. No, I have not, but I have heard witnesses urge it.

Mr. HILL. Does not the gentleman think that the committee can take care of itself?

Mr. TREADWAY. I am sure it can. Then if it is not agreeable to the Secretary to answer that line of questions, than I will try one or two other lines.

Let me make this one statement of my own in connection with these 44 State legislatures. I find that of those 44, 18 have an expiration date in March, 4 in February, and 2 in April. There are only 17 of those legislatures whose terms of session are indefinite. Therefore, I think the argument falls pretty flat that Congress should hurry in order to reach the legislatures while they are in session this year.

Mr. VINSON. Will the gentleman yield to me?

Mr. TREADWAY. Yes.

Mr. VINSON. I know the gentleman from Massachusetts well, and I cannot conceive that he is endeavoring to leave the impression that anyone is seeking to delay this legislation.

Mr. TREADWAY. Oh, no; but I do not intend to be hastened. There is no one trying to delay. I am for the legislation, if we can whip it into shape properly. I have never said a word in opposition to the legislation, as the gentleman knows.

Mr. VINSON. I understand that, and I cannot conceive of the gentleman seeking to delay it.

Mr. TREADWAY. Not in the slightest; nor do I wish to be hurried in the consideration of it.

Mr. VINSON. Our whole purpose is to consider it fully and carefully, as we have been doing, are doing, and will continue to do.

Mr. TREADWAY. And that is perfectly agreeable to me.

Now, Mr. Secretary, allow me to ask you about the social insurance board. You recommended the transference from the social insurance board to the Treasury Department of the function of issuing and selling these voluntary annuity certificates. That would take the issuance of the annuity certificates out of the hands of the social insurance board, would it not?

Secretary MORGENTHAU. That is right.

Mr. TREADWAY. To what extent would that reduce the responsibilities of the Social Insurance Board?

Secretary MORGENTHAU. I do not think it would reduce them at all.

Mr. TREADWAY. They would still be just as important as in the original set-up?

Secretary MORGENTHAU. I think so, yes.

Mr. TREADWAY. Let me ask if you approved the manner in which that board is established.

Secretary MORGENTHAU. Mr. Chairman, I have been here before, and I think you know that I try to answer questions on matters on which my responsibility rests. I do not want to seem to evade Mr. Treadway's questions, but I should like to confine my testimony only as to what I am familiar with, and I have confined myself to a study of the financial aspects of the bill.

Mr. TREADWAY. I am perfectly willing to withdraw the question under those circumstances.

Secretary MORGENTHAU. I feel that a question like that Miss Perkins, who is here, is in a far better position to answer than I. I have confined my activities to the financial aspects of the question.

Mr. TREADWAY. That is entirely satisfactory, Mr. Secretary. There are just one or two other inquiries I should like to make, if I may. In the discussion of the bill with secretary of your committee, we frequently ran into the statement that the paragraph that we were considering, the section we were inquiring on, was written in the Treasury, and consequently the witness knew nothing about it, or took it for granted that the Treasury had done the thing in the right way. That occurred several times.

Would you be willing to inform us where in the Treasury those paragraphs were written?

I cannot at this moment lay my hands on the individual items, but you will find that appearing in Dr. Witte's testimony, in answer to that kind of a question, several times.

Secretary MORGENTHAU. I think you will have to help me out by telling me which paragraphs were referred to.

Mr. TREADWAY. I agree that my question is somewhat indefinite, unless you had in mind, in a general way, the nature of his testimony.

Secretary MORGENTHAU. I am sorry I am not sufficiently familiar with it.

Mr. TREADWAY. There were certain parts of it written by some of your assistants, or associates?

Secretary MORGENTHAU. Oh, yes. I am sure that if Dr. Witte said that the Treasury wrote it, referring to any certain paragraph, that his statement is correct.

Mr. TREADWAY. He did not say by whom in the Treasury Department, and we know the Treasury is a pretty big organization.

Secretary MORGENTHAU. Well, we have had a great many people working on it, and some of the employees have been changed.

Mr. TREADWAY. I now have Dr. Witte's testimony before me, and will call your attention to some parts of it. In reply to an inquiry, for instance, he says:

I frankly state that I cannot answer that question definitely. The bill was drafted by the counsel of the committee, with the assistance of the legislative members and with changes made by the legislative members, who introduced the bill in both houses.

Another inquiry:

Have you had the aid of Mr. Beaman at all?

Mr. Beaman is our legislative drafting counsel, and one in whom we have the fullest confidence. Dr. Witte's answer was:

I could not answer that. I think not. We have had the aid of the Treasury Department in all financial provisions, and I think Mr. Beaman was consulted by the members, but not directly by the committee.

That is one of the places where he refers to the Treasury as having drafted this bill.

Just one other request, and I will have finished. In your list of committees, in the appendix, on page 60 of this report, there are certain names. We have made some inquiries from time to time about the advisory committee and were not entirely able to get at the root of the matter. I want to call your attention to the actuarial consultants, consisting of 3 college professors and 1 president of a mutual life insurance company; 4 gentlemen who were the actuarial consultants.

I would like to inquire whether, in making up these tables of cost and annuities, and so forth, other actuaries of the country were consulted by your committee?

Secretary MORGENTHAU. Will you allow Mr. Altmeyer, the Second Assistant Secretary of Labor, to answer that question?

Mr. TREADWAY. Of course.

Mr. ALTMAYER. The report of the committee will give you full information as to the actuaries who were consulted. There was a committee of actuaries that met with the staff actuaries. The staff actuaries included Mr. Richter, of the American Telephone & Telegraph Co.; Mr. Williamson, of the Travelers Insurance Co.; and Mr. Latimer, who, as you know, has already testified and who is chairman of the Railroad Retirement Board.

Mr. TREADWAY. Is Mr. Latimer a professional actuary, or is he just chairman of this board that you mentioned?

Mr. ALTMAYER. Mr. Latimer is probably the outstanding expert in this country on industrial pensions.

Mr. TREADWAY. But he is not a life-insurance actuary?

Mr. ALTMAYER. That is correct.

Mr. TREADWAY. May I ask this further question? I understood you to say—I could not quite hear you—but I understood you to say that in the report the names of the actuaries who were consulted appear in addition to those listed as actuarial consultants. Can you tell me where to find that, please?

Mr. ALTMAYER. I have not a copy of it with me, but I will be glad to submit it to you.

Mr. TREADWAY. I was under the impression that there was a list of advisory committees in the back of the report as an appendix, and that these names were in that list.

Mr. ALTMAYER. We shall be glad to furnish that information to your committee, if you wish.

Mr. TREADWAY. There was complete agreement among the actuaries?

Mr. ALTMAYER. Yes, sir.

Mr. TREADWAY. As to the actuarial set-up of this proposition?

Mr. ALTMAYER. Yes, sir; no disagreement at all.

Mr. TREADWAY. I have read the names of these four gentlemen, but I understood you to say there were others.

Mr. ALTMAYER. No.

Mr. TREADWAY. These four are responsible for the actuarial set-up?

Mr. ALTMAYER. They were the consultants who were consulted by the staff actuaries.

Mr. TREADWAY. Who were the staff actuaries?

Mr. ALTMAYER. As I said, Mr. Richter, of the American Telephone & Telegraph Co.; Mr. Williamson of the Travelers Insurance Co.; and Mr. Latimer, who is Chairman of the Railroad Retirement Board, as well as several staff employees, who made many of the calculations.

Mr. TREADWAY. What do you mean by staff employees; employees of the technical board?

Mr. ALTMAYER. Yes.

Mr. TREADWAY. Or members of the technical board?

Mr. ALTMAYER. No; employees of the technical board.

Mr. TREADWAY. These four gentlemen whose names appear here are the only official actuaries of the committee; is that correct?

Mr. ALTMAYER. No; I just told you that Mr. Richter—

Mr. TREADWAY. But you talk about a staff and about actuarial consultants, and there is so much of a mix-up that I cannot understand it. Of course, it is clear in your own mind, and perhaps it ought to be in mine, but I may be dull about this. Who were the head actuaries who recommended this program?

Mr. ALTMAYER. Mr. Richter, of the American Telephone & Telegraph Co.; Mr. Williamson, of the Travelers Insurance Co.; and Mr. Latimer, Chairman of the Railroad Retirement Board.

Mr. TREADWAY. And they were the heads of the actuarial consultants, as noted in this report?

Mr. ALTMAYER. They were the men in Washington. They spent all, or practically all their time on these actuarial calculations.

Mr. TREADWAY. That is what I wanted to know. Now we are getting somewhere. But these other gentlemen, the four whose names appear here, were outsiders who might have had the report of these three men submitted to them, something like that?

Mr. ALTMAYER. Exactly. They came to Washington for consultation with these three men who gave practically their full time to it. We wanted to be certain that we were doing the thing right, and we had those three or four men who could not come to Washington full time to go over all of the calculations, and, as I said before, they are in absolute agreement with our men; no disagreement whatsoever.

Mr. TREADWAY. Thank you. That is what I wanted to know.

Mr. VINSON. Mr. Altmeyer, in addition to the three gentlemen whom you mentioned being in active charge of the actuarial work and

the four gentlemen who are listed as consultants, you did not mean to exclude other actuaries who worked on this proposition?

Mr. ALTMAYER. Not at all. There were many.

Mr. VINSON. Tell us about that.

Mr. ALTMAYER. I do not know all of the actuaries who were consulted. Mr. Witte could tell you what actuaries were consulted from time to time. But, gentlemen, we are perfectly willing to place full responsibility upon those persons whom we have just mentioned. They will accept that responsibility, I am sure.

Mr. VINSON. But of course they had a staff.

Mr. ALTMAYER. They had employees on the technical staff.

Mr. VINSON. And actuaries in different departments assisted in these calculations?

Mr. ALTMAYER. Yes. The Treasury Department assisted us, for example. I do not know how many actuaries were actually consulted. But those persons I have mentioned will assume full responsibility.

Mr. LEWIS. Mr. Altmyer, will you tell the committee of the work done by Dr. Latimer, by way of qualification for the work that he has done in connection with this bill? I understand through years of labor he has compiled two large volumes on agencies such as we are setting up in this bill. I have the feeling that perhaps he is the foremost authority in the world today on that subject matter. Tell the committee briefly of his work, please.

Mr. ALTMAYER. You have said in a nutshell exactly what he is. The President, as you know, has appointed him Chairman of the Railroad Retirement Board. I think you are correct in saying that he is the foremost expert on industrial pensions in this country today. He has had many years of study of the subject of industrial pensions, and the main result of his recent studies is included in this 2-volume report that you have just mentioned. Before that he had long scholastic training to prepare him for his technical work.

Mr. McCORMACK. Mr. Secretary, referring to the casuals, and the domestics, and I assume those engaged in agricultural pursuits, they are the ones you have in mind in connection with your expression of doubt conveyed to the committee of the feasibility of practical administration of the provisions of the bill as applied to them, is that right?

Secretary MORGENTHAU. Yes, sir.

Mr. McCORMACK. How many are involved in number?

Secretary MORGENTHAU. I am told an approximate estimate would be about 7,000,000, all told.

Mr. McCORMACK. And the bill in its present form embraces about how many?

Secretary MORGENTHAU. Mr. Haas says about 20,000,000.

Mr. McCORMACK. Twenty million?

Secretary MORGENTHAU. The bill would affect about 20,000,000.

Mr. McCORMACK. That is, under the unemployment features?

Secretary MORGENTHAU. That is the old-age provision.

Mr. McCORMACK. Is there any estimate as to how many of those 20,000,000 will be affected by the old-age provisions?

Secretary MORGENTHAU. Now you are getting a little beyond my depth, Mr. McCormack.

If you do not mind, I will ask Mr. Altmeyer to answer those questions.

Mr. ALTMAYER. There are about 7,000,000 who are over 65 at the present time. As the years go by, that number will increase. In about 30 or 40 years you will find it will run up to about fifteen or twenty million. Those figures are contained in the supplement of the committee report, which I shall be glad to file with the committee.

Mr. McCORMACK. That is based on the tables of mortality?

Mr. ALTMAYER. Yes, sir.

Mr. McCORMACK. Why should they be excluded from the benefits of old-age assistance?

Secretary MORGENTHAU. Who, Mr. McCormack?

Mr. VINSON. May I suggest to the gentleman from Massachusetts that they are not excluded.

Mr. McCORMACK. Is it proposed by you that they should be?

Mr. VINSON. They are merely relieved from the compulsory contributory features not excluded from old-age pensions.

Secretary MORGENTHAU. I tried to make clear, and I am glad to have the opportunity again, that I do not suggest that anybody be excluded. I simply point out that the Bureau of Internal Revenue feels that a plan has not yet been devised which will make it practical to collect this tax.

We just came out of one of the most difficult eras of selling liquor. I have been struggling with that for about 13 months. We are beginning to see daylight now, and getting the public to realize that it is a question of buying tax-paid or non-tax-paid liquor. The American public got itself into a frame of mind where they just did not think they had to obey the Federal laws.

What I am afraid of is that if we make it so difficult to collect this tax that we may again build up a large population or group who will get themselves into that same sort of frame of mind. I feel that it is up to us to find a way to collect that tax, and the Internal Revenue Bureau should do that. But we have not been smart enough yet to do it. I want to make it very clear that we are not recommending that any group should be excluded.

Mr. VINSON. May I suggest that the testimony before the committee, Mr. Secretary, has shown that the moneys that would be paid in by this group in taxes, under the contributory plan, would buy very small annuities. You would take the benefits that would accrue, and, of course, there is no suggestion here that this group would be excluded from the noncontributory features, or what we generally call the old-age pension plan.

Mr. McCORMACK. I recognize the force of the argument that there are administrative difficulties, but that is taking an attitude of defeatism, it seems to me. If we do not get them in the bill, then you are going to have a lot of difficulty in the future getting them into the bill. If we are going to do anything, we might as well embrace them now, and if necessary suspend payments from them for a year or two until you have devised a method of obtaining those payments in a practical way. That would be my thought on the matter.

Secretary MORGENTHAU. I would say that that would be ideal.

The CHAIRMAN. If there are no further questions, we thank you for your appearance and the testimony you have given the committee, Mr. Secretary.