

Mr. HUDSON. Yes.

Mr. COOPER. All right.

Mr. HUDSON. But I want to add that I did not condemn the plan itself or the principles of the plan.

Mr. COOPER. I did not ask you the question, Do you condemn it?

Mr. HUDSON. Then it should not be put in the record that I did condemn it.

Mr. COOPER. I am not reading anything into the record.

Mr. HUDSON. Then it will not be construed in the record that I condemn the plan.

Mr. COOPER. I am not undertaking to place any construction on what you might have intended; I am calling attention to what you have said.

Mr. HUDSON. You were speaking of the technical part of the bill.

Mr. COOPER. I am speaking of just what that question said, on the McGroarty bill, as it now stands, whether you, as a member of the committee, would vote to report it, or as a Member of Congress would support it, and you said, "No."

Mr. HUDSON. I want to state at this time that I am not qualified to pass upon the legality of any bill. I should not be asked that question, because I have had but very little experience in the drawing of a bill. I have not had any experience along that line.

Mr. COOPER. Since you have raised that question, the preceding questions on that page do not refer to the legality of the measure. I was asking you, previous to that, some practical questions.

Mr. HUDSON. Yes.

Mr. COOPER. And there was not anything at that moment in the hearing to raise any question in your mind as to the legal phases of the bill. I was simply asking you some practical questions about it, and following that then I asked you this question and you replied as indicated here.

Mr. HUDSON. I assumed, Mr. Cooper, that this bill would be corrected and amended as I have understood most all of the bills are corrected and amended before they are reported on.

I am not standing upon the technicality of the McGroarty bill or its legality; I should not be asked that.

The CHAIRMAN. We thank you for your statement.

Mr. HILL. Mr. Chairman, I have here a statement prepared by Hon. Samuel B. Pettengill, a Member of the House from the State of Indiana, discussing the subject involved in the so-called "Townsend old-age pension plan." I ask permission that this statement may go into the record.

The CHAIRMAN. Without objection, it is so ordered.

(The statement above referred to is as follows:)

STATEMENT OF HON. SAMUEL B. PETTENGILL, MEMBER OF CONGRESS, STATE OF INDIANA

Mr. PETTENGILL. Mr. Chairman, the current number of the Eagle Magazine, published by the fraternal order of Eagles, contains an article written by me entitled "Will the Townsend Plan Work?"

Members of your committee who have read the article have done me the honor to request that it be incorporated in your hearings for the information of the committee and the Congress.

I am glad to comply with this request, and am submitting the article herewith in the form in which it appears in the magazine. As the article was written 2 months ago, I am adding at the end a summary of some thoughts that have occurred to me since that time.

First, let me say that I hope the plan will be carefully considered. I believe in government by discussion, by the good-tempered exchange of honest views presented by any American, be he the humblest. Even if Dr. Townsend is wrong, as I believe he is, nevertheless he has centered attention upon grave problems confronting us. The discussion of his bill both pro and con cannot help but produce a good result.

• The magazine article is as follows:

WILL THE TOWNSEND PLAN WORK?

I do not know Dr. Townsend. I concede that he is acting in good faith, with good motives, and in the honest belief that he has the only sure-fire cure for the depression. Just as honestly, I believe his revolving old-age pension plan is utterly wrong.

In an address before the National Conference on Economic Security on last November 14, President Roosevelt said:

"Organizations promoting fantastic schemes have aroused hopes which cannot possibly be fulfilled, and through their activities they have increased the difficulties of getting sound legislation." These words are highly significant.

The press has interpreted the President's statement to refer directly to the Townsend plan. At any rate, the words apply to it with peculiar force. It is fantastic.

The Fraternal Order of Eagles for many years has carried on a praiseworthy campaign for old-age pensions that are sound, socially defensible, and financially supportable. Among the many bills sponsored by the Eagles was one passed by the Legislature of New York and signed by Mr. Roosevelt as governor. This demonstrates his sympathy for sound legislation to provide security in old age.

It is regrettable that a fantastic superstructure is now being erected upon the solid foundations laid by the Eagles and others who, like myself, want legislation of merit enacted.

Under the Townsend plan, the Federal Government would pay \$200 a month to every American citizen past 60 years of age who has no criminal record. To draw this pension, the aged man or woman must agree, first to stop working, and secondly, to spend the \$200 within 30 days. The pensioner does not have to give up any additional income he may have from investments, insurance annuities, or property. On these terms, a millionaire would receive money wrung by taxes from the poor. In the case of a man and wife, both past 60, each would get \$200, making their total income \$400 a month, whether they needed it or not.

Where is all this money to come from? From a retail-sales tax collected by the Federal Government—in addition to all other taxes, of course.

How much will the tax amount to? In the official Townsend literature, the sum is estimated "at between 1½ and 2 billion dollars monthly." Between \$18,000,000,000 and \$24,000,000,000 a year. The latter figure would be the actual cost of paying \$200 a month to our 10,000,000 citizens past 60. According to the 1930 Census, the exact number past 60 was 10,578,000 and the number is increasing every year. But let us take the lower figure as the amount of the tax, \$18,000,000,000.

What would the tax rate be? In 1929, our retail sales totaled \$49,768,000,000. (See the World Almanac for 1934, p. 381.) For easy figuring, let's make that an even \$50,000,000,000. That was in 1929, the best year we ever had. In 1932, total sales were only about \$31,500,000,000. Recently they have been much less.

Now, to be perfectly fair in estimating the tax rate, we'll take the highest retail sales figure and the lowest probable cost of pensions. What do we get? To raise \$18,000,000,000 on \$50,000,000,000 in retail sales would require a sales tax averaging 36 percent.

But the Townsend plan calls for a lower rate on necessities than on luxuries. That's fair enough. Of that \$50,000,000,000 sales, I suppose that not more than

\$10,000,000,000 went for luxuries. If we put a tax of 80 percent on luxuries, we could raise \$8,000,000,000; that is, assuming that we could sell just as many luxuries after the prices go up 80 percent. Of course, we couldn't! However, if we did collect that sum from luxuries, we should still have \$10,000,000,000 to raise from the \$40,000,000,000 sales of necessities. That would mean a tax rate of 25 percent. Again, to get that maximum rate, we have to assume that just as many necessities would be sold after the price is increased one-fourth by the tax. Of course, sales would fall. The highest sales tax on luxuries I ever heard of is 10 percent, the highest on general necessities is from 1 to 2 percent, and all sales taxes tend to cause fewer goods to be sold. Blithely Dr. Townsend proposes a plan that will require a tax of from 25 percent on necessities to 80 percent on luxuries and assumes the tax won't reduce the total volume of sales. He doesn't put the tax rate as high as I figure it, but if anyone can collect \$18,000,000,000 annually without taxing necessities at 25 percent I will give him a blue ribbon.

In other words, under Dr. Townsend's plan, in addition to all other taxes which you now pay, you will shell out at least a quarter on every dollar. A farmer buying \$100 in tools will pay \$25 more in tax. A wage earner paying out \$200 to have his house shingled and repaired will pay a \$50 tax. A \$500 automobile will be taxed \$125; a \$10 order of groceries, \$2.50. You would pay \$1,000 in tax for a house with \$4,000 worth of material.

Who is going to pay these taxes? You, I, all of us; and the money we'd spend for the tax we could not spend for the necessities or comforts of life. Our living would necessarily be curtailed because the same dollar can't be spent twice by the same person.

But Dr. Townsend says: "Hold on! You have not seen the golden secret. I compel the old people to spend this money. You would not feel the tax, because it would come back to you in orders for goods."

This sounds promising, if true. The majority of pensioners might be perfectly honest and spend according to law. But think of the frauds, the chiseling, the hoarding of pension money that would occur. Thousands of old people would be afraid the whole thing would blow up with a new set of Congressmen, and they would be tempted to save for that rainy day. There are thousands of phony ways the pension could be paid over to relatives.

Dr. Townsend admits this possibility. He anticipates that "it may be necessary" to require pensioners to deposit their pensions in some bank and present canceled checks "to show what was done with the money." But would the checks tell the true story? Think of the army of tax sleuths needed to trace the matter further.

Some of the money would, of course, reenter the stream of commerce. The pensioners might buy luxuries—automobiles, radios, rugs—at an increase of 80 percent in cost. But they would still eat only three times a day, wear out only one pair of shoes at a time. The plan would scarcely solve the problem of surplus wheat, cotton, corn, and hogs.

Would it solve any problem for the man who pays the tax? Let's make a simple case of it. Uncle Sam taxes Jones, a cigarmaker, 25 cents on his purchase of a dollar's worth of merchandise. Then Uncle Sam pays that quarter to Smith, aged 65. Smith is compelled to spend it, and therefore pays the quarter to Jones for a cigar. Jones again has the quarter, as Dr. Townsend promised. But, when Jones first paid that quarter in taxes, he was able to buy that much less merchandise. The grocer from whom Jones buys goods lost the sale of that quarter's worth. So did the producer, and consequently their employees suffered.

Puzzle: Who paid for the cigar? Look again. The United States reached into the pocket of the cigarmaker and took out two bits which it gave to the aged Smith. Smith hands it back to the cigarmaker for a cigar. The cigarmaker has, therefore, paid for the cigar with his own money. According to Dr. Townsend, he is supposed to become prosperous by so doing. If the tax were 100 percent instead of 25 percent, the cigarmaker would become wealthy by giving away all his cigars.

If every penny of the tax money came back to the taxpayers in orders for shoes, clothing, and so forth, would it add anything to prosperity? The answer is "No." Under the Townsend plan, no new wealth is created, because the pensioner, forbidden to work, adds nothing to the total of the Nation's goods. The increased purchasing power of the pensioner would simply offset the decreased purchasing power of the taxpayer, whose ability to buy is diminished by the amount of the tax.

The Townsend plan means that the workers would support the pensioners, not that the pensioners would employ the workers. The employment would come only from the workers' own money, taken from them by taxation.

If some of us, under 60, can become prosperous by paying others of us, over 60, \$200 a month, surely we should be more prosperous if we paid them \$1,000 a month instead. They could buy five times as much goods! Or better yet, if the plan is sound, reduce the age limit from 60 to 50, to 40, to 30. Tax only those between 20 and 30. How much better off these young folk would be with no one over 30 to compete for their jobs! Then all they would have to do would be to support not only themselves and their families, but everyone over 30 and under 20!

Prosperity through taxation! And yet—the more people you pay to buy your goods, the more goods you give away. It is as if a groceryman gave a customer money with which to buy his butter and eggs.

If governments could tax us into prosperity, the problem of hard times would have been solved ages ago. But wealth consists of goods—houses, rugs, chairs, clothes, food, coal, paved roads, railways, schools. Since the time of Adam's curse, wealth has been produced only by work, by labor applied to land and raw materials, not by government, not by money magic, not by financial witchcraft.

Make no mistake. The Townsend plan takes money away from one man to give it to another. Taxation has never created a dollar's worth of new wealth since the world began. It simply transfers it from one pocket to another. In this case, it would take at least \$18,000,000,000 annually from 92 percent of the people to give it to 8 percent.

Let us continue the efforts to provide decent security against old age, to work for the elimination of the poorhouse with its misery and degradation. Let us evolve a social system that will be generous to the aged poor without laying too heavy a burden on the young, producing generations. But whatever we do, let us not deceive our old people with sleight-of-hand economics.

No nation, as well as no man, has ever yet lifted itself by its bootstraps.

So much for the magazine article. May I supplement it briefly?

The original Townsend literature called for a "Nation-wide Federal retail sales tax calculated at a rate sufficiently high to produce the revenue necessary." As pointed out in the article, on \$50,000,000,000 of retail sales in 1929, the sales tax necessary to finance the Townsend pensions—\$18,000,000,000 to \$24,000,000,000—would have to average 36 to 48 percent on total goods sold at retail, perhaps lower on necessities and higher on luxuries.

Apparently appalled by the size of the tax, Dr. Townsend has apparently abandoned the retail sales tax and now advocates a "transactions" tax. He estimates that such tax may be as low as 2 percent on total transactions in 1929 of one trillion, two hundred billion dollars.

The difference between one tax on the retail sale to the final consumer and one or two dozen transactions taxes is simply sugar-coating. The result is the same in dollars—a total tax of \$24,000,000,000. You may have, for example, one retail sales tax on a pair of shoes. Or you may have many transactions taxes from the hide on the steer's back to the foot of the customer. How many transactions this would be I do not know, but obviously very many; for example, the first sale of the steer, buyer to slaughterhouse, slaughterhouse to tannery, tannery to shoe factory, factory to broker, to wholesaler, to retailer, to final consumer, and all the way you have labor charges, freight charges, warehouse charges, drayage, and dozens of other items such as those going back to the oak or hemlock tree from which the tanning material is taken.

Every one of these transactions is to be taxed. The tax will be added to the price of the article sold down to the final buyer, the ultimate consumer, who as always "pays the freight".

Whatever the method of raising the money, \$24,000,000,000 of pensions means \$24,000,000,000 of taxes. You can't get this vast sum out of thin air. It comes out of somebody's pocket! And whether you have one tax or two or three dozen, the cost of the article to the final consumer will be increased, on the average, 36 to 48 percent based on the best year we ever had.

This will certainly increase the cost of every article of merchandise that goes into every American home by at least the amount of the tax. The poorest home in America would carry as heavy a burden as the richest. If the tax averaged 36 percent on shoes, coal, food, clothing, etc., and a family had \$100 to spend, approximately \$36 would go to pay the tax, and the family would have only \$64 to spend instead of \$100.

This would be equivalent to a wage cut of 36 percent. How much suffering and privation this would cause in millions of homes no one can estimate. I am certain, however, that if you take \$24,000,000,000 from 92 percent of the homes of America and give that sum to 8 percent—those over 60—you are going to have more millions of little children going to school without decent shoes or warm clothing, and hungry to bed at night.

Every time anyone goes to the courthouse to pay his taxes, he knows that he has that much less to spend for the comforts and necessities of life. Taxes to pay pensions are no different from taxes to support schools and to pay school teachers. The greater the tax, the less to spend. School teachers spend their salaries in the community as pensioners would do, but no one has yet argued that such taxes make the taxpayer prosperous.

Who would suffer by the gigantic tax burden of the Townsend plan? Every wage earner in America. His wages would no longer buy as much food, medicine, clothing, as before. Every person on fixed incomes—school teachers, firemen, policemen, ministers. Every person living on railroad or industrial pensions. Every person, mostly women and children, living on life-insurance annuities. This presents an interesting thought. In addition to life insurance already matured, we have 65,000,000 people now living whose lives are insured, and who are now paying premiums so that their loved ones may be provided for when they are gone. That is twice as many people as voted in the last presidential election and the Townsend plan would destroy from 36 to 48 percent of the purchasing power of those policies, totaling over \$100,000,000,000! Their beneficiaries would have that much less to live on. Most of the beneficiaries would be their young children (under 60 years of age). So that while Dr. Townsend is attempting to provide for old age by his plan, he is canceling a large part of the provisions already made by the plans of 65,000,000 people for their dependents. As a matter of fact, millions of policies would probably be forfeited due to the inability of the insured taxpayer to pay the premiums.

One class of those who would suffer from the Townsend plan are the disabled veterans of the World War and Spanish American War under 60 years of age. The Townsend tax would immediately take

away from them from one-third to one-half of the pensions they are now drawing. And because they are disabled from work, they could not possibly share in any "prosperity" caused by the buying by pensioners.

The compulsory spending required by the Townsend plan would, probably, until it broke down, increase purchases, but it could not increase total purchasing power. You cannot increase the ability to buy goods by taking money out of A's pocket and putting it in B's pocket. The power to buy comes only from producing goods and services which can be exchanged for other goods and services. The pensioner produces nothing. Therefore he does not add to total purchasing power. He simply spends the taxpayer's money. You cannot fatten a cow by feeding her only her own milk!

If four sons had an aged father and were compelled to pay their father \$50 a month apiece (\$200 all told), and the father were compelled to spend the money his sons gave him, would the total purchasing power of the family be increased? Obviously not. The sons would have, for their wives and children, just as much less as the father has more. The Nation is simply a collection of such families.

Dr. Townsend argues that the compulsory use of the pension money would create so much new spending that the new business would provide the money to pay the tax. That means \$100,000,000,000 new business a month to provide \$2,000,000,000 of taxes for next month at 2 percent on total transactions. That means the \$2,000,000,000 would have to change hands 50 times a month, or twice a day for each of the 25 trading days of the month. To think this huge sum would revolve twice in 24 hours is a manifest absurdity, for it must do so in addition to the present business transactions of the Nation—that is, create that much new business. It is only the pensioner who is obliged to spend the sum even once a month. The man to whom he pays it is not obliged to spend it at all. The Townsend theory, therefore, means that the money one received in the morning would on the average be spent by noon, and what he received in the afternoon would be spent by night in addition to all other money in circulation. To believe that is to believe in fairies. As it would not happen, the result of pensions of \$2,000,000,000 a month would be either an absolutely crushing burden of taxation, or huge Government borrowing, and a soaring public debt with skyrocketing of prices ending with repudiation, through the printing press, and disaster to every soul in America, none more so than the aged poor. This bill is actually a bill to reduce the buying power by 40 to 50 percent of every person under 60 years of age—with inevitable disaster to all over 60 years of age.

If the Townsend plan is sound as far as its mechanics are concerned, it is immaterial whether the money is spent by aged persons or by the young and middle-aged. I am speaking now of the plan as a method of restoring prosperity, not as a method of providing for the aged. Consequently, why not do this: Tax everybody enough to pay everybody \$200 a month and compel them to spend it. How much better off would they be? They would walk up, let us say, to the treasurer's office at the courthouse, pay \$200 at one window, then

as pensioners go around to another window and get back their \$200, and then with a policeman at their backs go down to the merchants and spend the \$200.

Actually, foolish as it seems, this would cause far less suffering than the Townsend plan, because the benefits, such as they are (?) would go at once into every home in America, rather than in 8 percent of the homes.

Why should Henry Ford, Rockefeller, Insull, Mitchell, Wiggins, Mellon, and so forth, aged 60, be given a pension of \$2,400 a year, and the young widowed mother with small children not only receive nothing but rather find her cost of living soaring upward and her lot made worse? Why should the blind, the crippled child, the war-disabled veteran, the underpaid laborer, and the hard-pressed farmer be taxed to pay pensions to thousands of persons far better off than they?

If we are going to tax everybody enough to pay pensions of 24 billions a year, why not make up to the workers the difference between \$200 a month and what they now receive, so that they will have means to support their wives and young children as well as their needy parents?

If, however, you take 24 billions from the 90 percent under 60 and give it to the 10 percent over 60, you will cause hunger and privation in millions of homes.

The chief thought in my article in the Eagle Magazine is that the fallacy of Dr. Townsend is that his tax would create new or additional purchasing power, whereas, as I pointed out, it simply transfers that power from the taxpayer to the pensioner.

Since writing the article I have found my argument corroborated in a report of the Royal Commission on Unemployment Insurance, appointed in England in 1930, which has recently completed a 2 years' study. They were speaking of unemployment insurance rather than old-age pensions, but the principle is the same. The report said:

It overlooks the fact that the payment of unemployment benefit is merely a transfer of purchasing power to the beneficiaries from the contributors, and taxpayers who supply the fund, and others who lend to the government when the fund is in debt. To the extent that it enables the unemployed to maintain their purchasing power without contributing currently to society's income, it reduces the resources and purchases of these others. The aggregate of purchases made, and therefore, it may be assumed, of employment given, is the same, the only difference is in the distribution of these purchases.

Mr. Chairman the Townsend plan may be considered from two angles. One is relief to the destitute, the other is as a mechanism for restoring prosperity. It is only in the latter aspect that I have spoken of it. I believe that instead of restoring prosperity, it would destroy it; that it would cause additional suffering and want in millions of homes.

Prosperity by taxation! Where was the wisdom of Washington, Franklin, Jefferson, Lincoln? The wisest men in all the ages have never yet found a way to make men rich by taxing them. I do not think Dr. Townsend has either.

The other aspect of the legislation you are considering, I am heartily in sympathy with. I believe in the principle of unem-

ployment insurance and old-age pensions within the capacity of the producers and consumers to carry the tax load without crushing them. The right to live and die in decent comfort is something which no social system that calls itself civilized can deny to its citizens. The aged poor are preferred creditors of the Republic. But let us not, in caring for them, destroy the sources of energy and initiative and courage and thrift from which alone that care must come. Let us not place upon the backs of our people a tax burden so great that they will lose all hope of *providing for themselves* a nest egg for the evening time of life.

In closing I want to pay my tribute to the Fraternal Order of Eagles which, year in and year out, has carried the heat and burden of the day in the battle for social security and insurance against "old age and want." For 20 years they have pressed their crusade against the poor farm and the almshouse. Thousands of their members have contributed of their time and strength and means to this campaign, but none more than their fine idealist, Frank E. Hering, of my home city of South Bend. In his office are more than 20 pens given to him for the Eagles, by the Governor of great States—including Franklin D. Roosevelt as Governor of New York—and used in signing old-age pension legislation sponsored by the Eagles.

He and his fellows have sown the good seed. The fruit will be a better America. They "deserve well of the Republic!"

Mr. VINSON. Mr. Chairman, I have here a letter addressed to me by Miss S. P. Breckinridge, who is with the School of Social Service Administration of the University of Chicago. This lady is known Nation-wide for her social-service activities, and I ask that this letter be incorporated in the record at this point.

The CHAIRMAN. Without objection, it is so ordered.

(The letter above referred to is as follows):

THE UNIVERSITY OF CHICAGO,
THE SCHOOL OF SOCIAL SERVICE ADMINISTRATION,

February 1, 1935.

HON. FRED M. VINSON,

House of Representatives, Washington, D. C.

MY DEAR MR. VINSON: I am writing to urge that if the President's program for relief, including the plan for mothers' pensions and old-age pensions should come under your consideration you give favorable thought to the possibility of placing the administration of those two projects in the Department of Labor rather than under the Relief Administration.

The United States Children's Bureau, as you know, has developed the most statesmanlike relationships with the various Commonwealths. They have always been highly sensitive to the needs and the special interests of different States, and they have always felt that they were there to serve the weakest and the humblest and to be of use in every way possible. To a very considerable extent the same thing is true of the Bureau of Labor Statistics, and if these two projects—mothers' pensions and old-age pensions—were entrusted to those authorities, I am sure that we could anticipate a most successful and interesting development in which many problems of interrelationship between the Federal Government and the States could be skillfully and intelligently developed and dealt with.

I shall indeed be grateful, if opportunity should come, to have you give at least favorable consideration to these suggestions.

I am, with assurance of high regards,

Very truly yours,

S. P. BRECKINRIDGE.

Mr. VINSON. Mr. Chairman, when Dr. Waller, or some other gentleman was on the stand speaking for the Public Health Service, I made a request that they submit a statement showing the regular Federal expenditures for all activities relating to public health for the fiscal year ending June 30, 1935. This statement has been submitted to me, and I ask unanimous consent that it be incorporated in the record next following Dr. Waller's testimony.

The CHAIRMAN. Without objection, it is so ordered.

The next witness is Mr. John W. Studebaker, Commissioner of Education.

Will you state your name and your official position?

**STATEMENT OF JOHN W. STUDEBAKER, COMMISSIONER OF
EDUCATION, DEPARTMENT OF THE INTERIOR**

Mr. STUDEBAKER. John W. Studebaker, Commissioner of Education, Department of the Interior.

Mr. Chairman and members of the committee, if it is in accordance with your procedure, I will present two statements for your consideration and discussion. The first one is divided into two parts. The first part points out the reasons for and the ways in which I believe sections 702 and 703 of this measure may be clarified with respect to the interrelationships of education, health, and welfare, so that those respective aspects of child welfare may be considered on their merits; and the second part proposes a plan by which the education of physically handicapped children may be taken care of.

The second statement, copies of which you have, will show some of the reasons why in some way provisions better than those now in existence should be made for the education of the physically handicapped children.

The first statement, copies of which you have, contains some technical suggested modifications of the measure, and with your permission, I shall read it, and then I will be glad to discuss it. It says [reading]:

Title 7 of the bill includes section 702 on the care of crippled children and section 703 on aid to child-welfare services. In each of these two sections it is assumed that the responsibilities involved, which are assigned to the Children's Bureau in the Department of Labor, relate only to the physical welfare of children and to those services commonly known as "child-welfare" services. Yet in several instances the phraseology is so indefinite and vague that considerable confusion will arise in the administration of the provisions of the bill, should this phraseology be allowed to remain in the measure. Educational, health, and welfare services are so intimately related that the utmost caution needs to be observed to obviate duplication and overlapping of functions among the separate agencies concerned.

During recent decades educators have come to recognize that schoolroom activities dealing with the ordinary subjects of the curriculum are frequently made less effective if not actually nullified by what goes on outside the schoolroom. In consequence of this, schools have developed various types of educational programs designed to serve the needs of crippled, delinquent, and otherwise handicapped children. Such programs include:

(1) Parental schools providing a 24-hour program for children presenting behavior problems which cannot be satisfactorily adjusted under existing home conditions.