

000,000 in 1980 is due to the payment of unearned annuities. Is that correct, Doctor?

Mr. WITTE. Certainly.

Mr. HILL. Let us just let him explain and see what that is.

Mr. VINSON. Yes.

Mr. WITTE. There are two distinct items in this program. One is the grants made to noncontributory pensions, which will start, at \$50,000,000 in the first year, and will increase if you adopt nothing else, until by 1980, you will have an estimated maximum cost of \$1,300,000,000. 1980 is the date when that cost is at the maximum because by 1980, the man that is now 20 years old will be 65. You may have covered the whole range of the industrial group of the present time by 1980.

If you start a contributory system at the same time, the Government will make no contributions to the contributory system as set up until 1965—until its receipts from the contributory system are less than its disbursements. From 1965 to 1980 there will be an increasing cost to the Government. That cost, as Mr. Hill has stated, will be \$1,400,000,000 at the maximum in 1980. That \$1,400,000,000 is, as Mr. Vinson states, the unearned pensions that you have paid in the early years of the system before 1965, plus interest.

If you eliminate the unearned pensions, you do not have that cost. You can eliminate this cost entirely, too, by stepping up the rates in the early period. You can make the system self-sustaining in either of these two ways. If you make it self-sustaining, then you will still have a cost by 1980 of approximately half a billion dollars for the noncontributory pensions unless you can also bring into the contributory system, as the President suggested in his message to the people who are not employes. No country in the world has done that successfully as yet, but that does not mean that we might not be able to do it sometime.

Mr. HILL. You say that by 1980 the contributory plan will be costing the Government \$1,400,000,000, and in addition to that there will be a cost of \$500,000,000 a year under the noncontributory old-age pension scheme. That makes a total of \$1,900,000,000. You say that you can make this contributory system self-supporting; but when you do that, as I follow you, you run into this rather practical difficulty of building such a large reserve that—

Mr. WITTE. That is it.

Mr. HILL. That it is questionable whether the Government can invest the money and get the return of 3 percent on handling that big investment, say, \$75,000,000,000, to be turned over by the Government for investment in securities to bring in the 3-percent interest that must be paid on these reserve funds. That is the practical difficulty.

Mr. WITTE. That is a correct statement.

Mr. HILL. So it practically blocks you from that course, does it not?

Mr. WITTE. Nobody knows whether we can handle \$75,000,000,000 by 1980 or not. As I stated, \$75,000,000,000 by 1980 may look very different from \$75,000,000,000 in 1935. We do not know.

Mr. KNUTSON. Pardon me; are you speaking in billions or millions?

Mr. WITTE. Billions.

Mr. KNUTSON. "B."

Mr. WITTE. These figures mount because we are dealing with millions of people. These are large figures. The reserves are large amounts.

Mr. HILL. If the Government, instead of paying unearned annuities, should from the beginning simply pay to contributors under the insurance-annuity plan the cash surrender value of the amount of money they put in plus the 3 percent interest compounded, after they reached the age of 65 years, and then put them under the old-age-pension plan, which under this bill would call for a contribution of not exceeding \$15 a month by the Government, would that scheme cost the Government less than the combined contributory and non-contributory plan that you have outlined?

Mr. WITTE. Before 1980 it will cost more. After 1980, if you project them, it will cost less.

Mr. HILL. How much would it cost to begin with; that is, after you have the lag straightened out? Of course, the first year it would not cost so much, but how much would it cost in subsequent years?

Mr. WITTE. It will cost an average of approximately \$675,000,000 per year over the period from now until 1980, which is a larger sum than this total cost will be of the two systems combined. This side of 1980, that would mean a larger cost.

Likewise, I want to call your attention to this—under that system you build up that large reserve just the same. You build up this large reserve earlier, because you are not paying these unearned annuities; you are taking the money in and you are not paying anything out. You will build up your large reserve that much earlier. You will get that \$75,000,000,000 reserve before 1980 if you pay no unearned annuities.

Mr. HILL. Under this bill you levy a tax on the employee and you levy a tax on the employer, under the contributory annuity plan. You call one an "earnings tax"; the tax you levy on employees is called by the bill an "earnings tax."

Mr. WITTE. Yes.

Mr. HILL. The tax that is levied on the employer is called an "excise tax." What is the difference in principle, and what is the theory upon which the Government would have a right to levy those taxes?

Mr. WITTE. The earnings tax is obviously an income tax. It is a gross income tax. It rests on the power of the Government to levy income taxes, especially provided for in the Constitution. The excise tax on employers is for the privilege of doing business through employees, which is a new type of tax but believed to be constitutional. I think very few people have really questioned the constitutionality of such a tax. But I am hardly prepared to discuss that.

Mr. HILL. Does the question of universality or uniformity enter into the question?

Mr. WITTE. This is universal. The proposal we make covers everybody in the employed class.

Mr. HILL. Everybody in the employed class?

Mr. WITTE. Yes. It is beyond question under the power to levy an income tax. You can tax, as you do tax now, particular classes of income. This is legally a tax on earnings through wages and salaries.

Mr. HILL. Of course, the same question might arise there, if there is anything short of universal application, but so far as the employer is concerned, that is a different kind of tax. It is a privilege tax; it is an excise tax.

Mr. WITTE. Yes.

Mr. HILL. Is there any question as to the constitutionality entering there, because you do not tax all employers? For instance, you specially exempt employers in railroad operations, and so forth.

Mr. WITTE. Certainly, but they have another system. I think the Court would take cognizance of the fact that Congress through another act has imposed this sort of an annuity system on railroads already. The last Congress enacted the Railroad Retirement Act, which is a contributory annuity system for railroads and their employees.

Mr. KNUTSON. That has been held unconstitutional.

Mr. HILL. I am suggesting these questions that they may be looked into. I am not doing it critically.

Mr. WITTE. Yes.

Mr. HILL. I am simply calling attention to them so that if you think it worth while, you might look into them. You may have already looked into them. But you have one kind of tax or one kind of retirement provision for railroad employees and here you have a different kind of a contributory annuity system.

Mr. WITTE. They are not of the same character.

Mr. HILL. They are not of the same type, not of the same burdens. It is not the same tax. Would that enter into the question of uniformity or universality of application?

Mr. WITTE. Our best advice is it does not affect the constitutionality. On this question of constitutionality of the Railroad Retirement Act, the Railroad Retirement Act was not put under the taxing power of the Government at all; it was put on the theory expressed in the Railroad Retirement Act of the right of Congress to regulate interstate commerce. The only point involved in the litigation now pending is whether Congress has gone beyond the power to regulate interstate commerce. The trial court has held that it has. The question is now pending in the Supreme Court. There is not much question, at least according to the best advice that I can get, that the Railroad Retirement Act, if based squarely on the taxing power of the Government, would have been entirely a different looking question before the Supreme Court than what it is now.

Mr. HILL. I want to ask you about this voluntary contributory plan of annuities. Suppose I, not an employee, want to take advantage of that particular provision of this bill; what would I have to do? Suppose I wanted to make a contribution so that I would get a stated annuity or a stated payment monthly. What would be the procedure that I would have to follow to do that?

Mr. WITTE. The act leaves the entire matter, practically, open to regulations.

Mr. HILL. I will ask you specifically, then, does it provide for the payment by installments to this voluntary contribution, or does it call for one lump-sum payment?

Mr. WITTE. No, it would presumably be by installments. This is copied, as I stated, from, and is the language, verbatim, almost, of the War Savings Certificate Act. On war savings certificates, as you remember, you could pay at regular intervals or irregular intervals. You bought them at the post office or at the banks. Each one matured as of a given date. Similarly you will make payments toward the annuities, in the same way, the annuity maturing at age 65. The amount to your credit at age 65 will determine the monthly annuity that you get on retirement. You do not have to buy them monthly. You can buy them as you see fit. If you wanted to, I suppose you could buy the whole lot at once. Nobody, I presume, however, would do that. The very purpose of handling this through the stamp device is to provide a method by which people with very small means and making payments in very small amounts can get annuities. The persons who have a sufficient income will not buy these Government annuities. There is no particular advantage as against insurance company annuities. In fact, the insurance company annuities may conceivably be cheaper, because the insurance companies may be able to earn more interest than 3 percent.

Mr. HILL. Then why do you have it in here?

Mr. WITTE. To enable the small people, the people whom the insurance companies do not serve, to get annuities. The insurance companies do not sell annuities in these small driblets. The annuity business at this time is not in this class with which we are dealing, the class of people with the income of manual workers. Practically none of the annuity business is in there. This is an attempt to enable the people of small means, who are not buying annuities—farmers, for instance—to buy annuities as they did war savings stamps, to make provision for their own old age, in small driblets.

Mr. HILL. Have you any tables worked out showing at what ages what amounts will produce certain annuities?

Mr. WITTE. I do not have that now; no.

Mr. HILL. Would that be practicable?

Mr. WITTE. Yes; I think you can do it on a 3-percent interest basis.

Mr. LEWIS. Also on a 4 percent basis.

Mr. WITTE. It is not probable that this voluntary system will become a very large system. Canada has a system now, I think since 1908, and it has been growing slowly. But by this date there are less than 15,000 policyholders.

Mr. HILL. Would you put such a table into the record?

Mr. WITTE. Yes.

Mr. VINSON. What about the amount?

Mr. HILL. I told him to take some typical amount and work it out along that line. I want the record to give an idea of what should be expected through such an investment.

Mr. LEWIS. May I suggest that you work it out on the basis of a monthly annuity of \$100? That is easily divisible, and that you also work it out on a 4-percent basis, as well as a 3-percent basis.

Mr. REED. Doctor, I notice on page 43 the definition of "employer." Is there anything in the bill here that includes or excludes farmers? If they have a pay roll are they taxed the same way as industry?

Mr. WITTE. This particular section to which you are referring, Mr. Reed, is in the unemployment compensation section of the bill, but farmers are covered on the same basis as other employers throughout this bill.

Mr. VINSON. This definition is under title VI.

Mr. REED. Yes; I know it is.

Mr. VINSON. The gentleman who is appearing and testifying is dealing with the old-age features and has not reached that.

Mr. REED. I understand that, but I wanted to find out.

Mr. WITTE. The corresponding definition, Mr. Reed, in the part with which we are dealing now is on page 20, in subsection (4). It is a fact that, as the bill stands, it attempts to cover the entire employed population. It is a fact that we cannot overlook that no matter whether a person works in a small establishment or a large establishment, whether he works on a farm or whether he works as a domestic servant, or whether he works in a factory, there is one common characteristic, which is that everybody grows old; and they all have to make provision for their old age or somebody has to take care of them. That characteristic is common. You may deem it wise to exclude certain occupations. That certainly is within your province. But we are presenting a program which would cover the entire employed population.

Mr. REED. That would come under section 4 on page 20?

Mr. WITTE. Yes, sir.

Mr. REED. Under that definition, that would be any person, farmer, or otherwise, employing four or more persons. Is that right?

Mr. WITTE. In the old-age title there is no "four or more", if you will notice.

Mr. REED. I know.

Mr. WITTE. In here it actually covers everybody.

Mr. FULLER. On the old-age pension?

Mr. WITTE. Yes, sir.

Mr. REED. I just want to get that clear for the record; that is all I am interested in. Under this term "employer", then, the words "four or more" do not apply.

Mr. WITTE. Not in the old-age annuity system.

Mr. LEWIS. Dr. Witte, it is understood, of course, that the States themselves, by their legislatures, will determine the amounts of the pensions paid to their citizens. It is understood, too, that not only may the husband receive the pension, but the wife also, if she is over the age of 65, may receive it.

With regard to this contributory feature, which, beginning with the tax of one-half percent on the employee and a like tax on the employer, finally in the course of 25 years reaches 2½ percent on the employee with a like percentage on the employer, or an aggregate of 1 percent the first year and 5 percent the twenty-fifth year, is it not the purpose of that to supply the Federal Government gradually with the funds it will be contributing to the old-age 50-50 aid to the States? Is not that the objective?

Mr. WITTE. It will replace that to a very large extent. If people build up their own provisions for old age, then there is no need for pensions on a means basis. The person who gets an annuity of, say, 50 percent of his average wage after this system is fully in operation will only in very exceptional circumstances have to have a pension on top of that.

Mr. LEWIS. The whole purpose, however, of this special tax on employers and employees to derive funds for old-age pension payments is to supply the Federal Government with its contribution to the States, is it not?

Mr. WITTE. So far as it goes.

Mr. LEWIS. So far as you go?

Mr. WITTE. Yes. The purpose really is to provide the money to pay the annuities.

Mr. LEWIS. Let us get this clear, because there is confusion about it. You mean that the ½-percent tax on employer and employee, becoming effective at once, is to build up an annuity the old-age pensioner is to receive besides the \$30 a month?

Mr. WITTE. No, it is not. The old-age pensioner does not get the annuity. The old-age pension is a gratuity paid to people that have nothing to live on—that is the essence of it—and whose children will not or cannot support them. That is what the old-age pension is for.

Contributory annuities are something that the man with the matching contributions of his employer builds up for himself. The primary purpose of the tax is to build this annuity up so that when he reaches old age he has this annuity to fall back on. Then he will not need a pension. But this is true, that in the early years of this system, even at the 1-percent rate with which we start out, there will be enough money brought into the United States Treasury so that the contributions toward the pensions can be borrowed from the annuity fund. We are not amalgamating the two. We want to keep a separate record, because you will need that money later on. But at the beginning you do not have to worry where this \$50,000,000 or \$125,000,000 the next year is coming from. The earnings tax will give you that money. You are getting more money out of that than you need, and you can borrow that money. You will not have to have an additional tax.

Mr. LEWIS. I think now it is clear.

Yesterday or the day before yesterday I made a computation from annuity standards of the payment that a worker 45 years of age would have to make monthly if he wished to raise, say, his \$30 a month payment to \$50. On a 4-percent basis it is found that he would have to make a monthly payment of \$5.93 for 20 years, beginning at 45, and at 65 on that basis he would have raised—the interest being compounded meanwhile—sufficient to command an annuity of \$20 a month. In this aid tax to supply the Federal Government with funds to pay the States in this matching proposition, the limit you have in mind is \$15 a month?

Mr. WITTE. That is the bill, yes.

Mr. LEWIS. With regard to annuities generally, most countries, I believe, have adopted annuity systems as financial aids for themselves,

as well as methods of encouraging thrift and self-support among their populations. Is that true?

Mr. WITTE. Yes. Practically every European country has a contributory annuity system at this time.

Mr. LEWIS. The idea is not a novelty?

Mr. WITTE. It is certainly not novel. In fact, the countries that do not have an old-age insurance system are very few, China and a very few other countries. Among the larger countries there is none with the exception of China and India, I think.

Mr. LEWIS. You have indicated, Doctor, that under the purpose of the bill, one might proceed to take care of his old age either by piecemeal payment beginning in younger life, what we call an installment, generally, in insurance practice, or he might make it in a lump sum. Let me be concrete. I think perhaps that will help clarify it:

I am about 66 years of age. I would like to have the thought of quitting and having the assurance of \$100 a month for the rest of my days; and I have \$10,000, say, saved with which I might buy an annuity. The mortality tables tell me I am going to live 10½ years. Of course, I do not know how long I am going to live, otherwise I could borrow enough from the \$10,000. With the interest added, I could arrange my own annuity. But Uncle Sam does not know how long I am going to live. Competent actuarial computations show that on a 4-percent basis with \$10,123, I recall the figures, I could purchase for myself a \$100 monthly annuity. Under the practice of these annuity institutions in other countries that is permitted, I believe.

Mr. WITTE. Yes, it would be. That is contemplated in the voluntary plan, too.

Mr. LEWIS. I notice in the administration bill, however, one limitation: It is that I could not make this annuity payable to myself or anyone else at a less age than 65 years. Why should I not be privileged to make it at 60, if I wanted to retire then? Do you know of any objection to it?

Mr. WITTE. I think that that could be done. Of course, you would get very much less at 60 than 65. Your life expectancy is so much greater at 60, for the same amount of money your annuity is much smaller.

Mr. LEWIS. The original capital investment would need to be larger, the lump-sum investment smaller.

Mr. KNUTSON. Doctor, did your committee consider any other plan of old-age pensions besides the one that we have before us?

Mr. WITTE. We submitted to you tables showing eight other plans that you can adopt, the majority of which are self-sustaining. They all contemplate either one of two things—either no unearned pensions at all or higher rates in the early stages. That is the way you can make this system self-sustaining, by one or both of those methods.

Mr. KNUTSON. Did you give any consideration to the so-called "Townsend plan"?

Mr. WITTE. Certainly. We considered the Townsend plan.

Mr. KNUTSON. What conclusions did you arrive at?

Mr. WITTE. It is not within our economic system. It is not within the structure of our present economic or governmental system.

I think it is probably not within the structure of any governmental or economic system that is conceivable, but certainly not this economic system that we now have.

The Townsend plan contemplates pensions of \$200 a month to everybody over 60 years of age. There are now 11,500,000 people over 60 years of age. The plan says that noncitizens shall receive none of these pensions. There are about 500,000 of those. That leaves a potential 11,000,000 that might get these pensions. In various statements of the Townsend organization they have stated that 10,000,000 will be pensioned and 8,000,000 will be pensioned. I do not know on what basis those estimates are made. The only definite exclusions are noncitizens and criminals. There is a potential 11,000,000 people to be pensioned.

Two hundred dollars a month means \$2,200,000,000, or if you take 10,000,000 people to be pensioned, which is certainly the minimum that you can figure, there would be \$2,000,000,000 a month, or \$24,000,000,000 a year. The total income of all the people of the United States last year was \$40,000,000,000.

The proposals for financing have varied from time to time, but are now the levy of a 2- or 3-percent tax on so-called "transaction sales", whatever that term may mean; apparently a 2-percent tax on every retail sale, every wholesale sale, every manufacturer's sale, every sale of real estate, every sale of every kind.

Adding all those items together, you barely get enough money in a year to pay pensions for 2 or 3 months. Consequently, this scheme is simply not within the present economic structure as we see it. It is a promise that obviously will not be fulfilled unless the Government starts the printing presses going. I presume we could start the printing presses and give the people \$200 a month. In Germany, from 1922 to 1925, people were being paid millions of marks for 1 day's work and could not buy a postage stamp. We can have that sort of a system. But within the present structure it is not within the picture, because this amount of money to be raised is more than twice the total of Federal, State, and local taxes combined—to be paid to 9 percent of the population of the country.

It is a plan of revolving pensions, but it is also a plan of revolving taxes, which will pile up and pile up until the revolving pensions will be entirely swallowed up by increased prices.

Mr. KNUTSON. Mr. Chairman, is it your intention to have Dr. Townsend appear before the committee?

The CHAIRMAN. It is not the purpose of the chairman to do so. We are not considering the Townsend bill.

Mr. VINSON. What would be the effect upon the cost to the Government, ultimately, if you were to start the earnings tax off at 2 percent instead of 1 percent?

Mr. WITTE. The net total effect is to reduce the amount that the Government will have to pay in 1980 by a considerable amount.

Mr. VINSON. What I wanted to get, if you could tell us, was approximately what that saving would be.

Mr. WITTE. If I had those tables I turned in, I could answer you exactly, because one of those tables is on precisely that plan. I do not happen to have a duplicate set here.

Mr. VINSON. The tables are very valuable if a person takes the time to read them. I would like to have that statement in dollars included in the record at this point.

Mr. WITTE. I can give it to you if I can get that set.

The CHAIRMAN. Without objection, it will be inserted in the record in the appropriate place as suggested by Mr. Vinson.

Mr. VINSON. As I understand you, Doctor, referring to the contributory units, that is all inclusive, as affects the employee; is that correct?

Mr. WITTE. Yes, sir.

Mr. VINSON. Is it your thought that in the administration of such act, the stamp method would be used to determine what tax to pay, a stamp book to show the payment of that tax?

Mr. WITTE. We leave that to the Secretary of the Treasury. European countries have adopted the stamp-book method, and we have expressly authorized that. But we do not confine the Secretary of the Treasury to that method if he deems another method more practical. In European countries all employees have an old-age pension book. You hire a domestic servant in Europe and she brings her annual book with her from her former employer. When she leaves she is very careful to look at her book. She demands to see the book to see that you have put in the proper stamps for her period of employment. That is an annual book that is carried from employer to employer.

We in this country have very similar types of books now. The industrial insurance companies, covering 50,000,000 of these people—they have a wider coverage than we probably will reach with this act—are now using precisely that sort of method, a weekly payment instead of a monthly payment, as this would probably be. That method may or may not be the most practical one.

Another method that would be quite feasible, probably, is the simple method of having the employer report at the end of the year the wages paid to each employee, and pay the tax. Under the income-tax law every corporation lists every employee and how much wage has been paid to him. That method might be adopted for certain parts of this field.

If you cover domestic servants, you would probably have to have a stamp system. You might adopt one system for collecting the tax for one group of employees and another for another. This leaves it entirely within the discretion of the Secretary of the Treasury.

Mr. VINSON. Referring to the persons domestically employed, assume that they would be excluded from the operation of the act; what effect would it have upon the cost to the Federal Government?

Mr. WITTE. There are about 4 million persons engaged in domestic service in this country. It is a large group. It is a group of employees whose wages are small. Many of them will be in need when they reach age 65. It will materially increase the pension costs, but I cannot give you any definite figures.

Mr. VINSON. Have you any figure that approximates that cost?

Mr. WITTE. They represent approximately 15 percent of the total number of employees.

Mr. VINSON. I know, but I am not talking about the total number of employees, I am talking about the pay roll. They certainly do not represent 15 percent of the pay rolls.

Mr. WITTE. No. The extra cost to the Government, if any, comes through the pensions.

Mr. VINSON. That is what I am trying to get at now. I take it that would be after age 65 in your added cost. In your judgment, or if you care to guess, what would be the average cost per annum if you would exclude those engaged in domestic employment from the operation of this bill?

Mr. WITTE. Under this plan, there probably would be no added cost, because while there would be a larger cost toward the pensions, there would be a lesser cost toward the unearned annuities, which would probably cancel out.

Mr. VINSON. Then in regard to those casually employed, it occurs to me that almost any method we might adopt would be hard to administer so far as those who are casually employed are concerned. Would there be added costs eventually if the casually employed were excluded from the operation of the law?

Mr. WITTE. I think in the long run practically none. Their contributions would be slight. They would never build up much of an annuity.

Mr. VINSON. What about that situation in respect of those employed in farm work?

Mr. WITTE. Again, a large group of people, earning rather low incomes, many of whom will need assistance at age 65. But you cannot estimate the net cost in the end. I think that under the plan set forth, while there will be an additional pension cost, there will be that much less cost in the annuity.

Mr. VINSON. Do you think that in respect of those three classes, the domestically employed, the farmer, and the casually employed, the cost would substantially balance itself?

Mr. WITTE. If you make the annuity system self-sustaining, there would be a lesser cost.

Mr. VINSON. Under the plan as suggested in this bill, what would be your judgment?

Mr. WITTE. My judgment is that it would not make any great difference. If, in your judgment, you wish to exclude those costs initially, it will not materially affect the cost either way.

Mr. HILL. Just what class do you have in mind?

Mr. VINSON. The domestics, farmers, and the casually employed.

Do you not think it would tend to better administration and be particularly beneficial in respect of the removal of the nuisance feature if these three groups were excluded?

Mr. WITTE. It certainly would be easier of administration initially, there is no question about that. On the other hand, if you wish to solve the problem permanently, you will probably bring them in at some later date. But initially certainly it would be much easier of administration.

Mr. VINSON. But when you say "to solve the problem permanently", do you have in your mind a self-sustaining plan?

Mr. WITTE. yes.

Mr. VINSON. Is that what you have in mind?

Mr. WITTE. Yes.

Mr. FULLER. We have not, of course, have had time to study this bill, but in its various features of public health, taking care of crippled children, maternal and child health, have you made any provision or considered any provision for the indigent blind who are unable to take care of themselves before they reach the age of 65?

Mr. WITTE. That does not relate to the old-age pensions, but there is nothing in the bill specially for the indigent blind.

Mr. FULLER. Did you consider it in your public health, crippled children, maternal and child-health features?

Mr. WITTE. The general picture is that the blind are better taken care of under State laws than probably any other group of dependents at the present time. They have made such an appeal to the sympathies of the public that the blind are to a greater degree taken care of. That does not mean that ultimately the Federal Government would not also possibly have to help out, but at this stage they probably need less help than many of these other classes.

Mr. FULLER. Do you find that there is a smaller percentage of the farm element over 65 indigent and in need of pensions than those that live in the cities?

Mr. WITTE. I think almost the reverse is true.

Mr. FULLER. After age 65?

Mr. WITTE. This is true, at least, of the people over 65 years of age. There is a much larger percentage in the rural areas. It is in the rural areas that the old people are, more than in the cities. The actual need of the old people in the rural areas is very great. The number of pensioners in rural areas where pension laws have been in operation is large, because so many of the old people do live in the small towns and in the country, much more so than in the cities.

Mr. FULLER. It seems to me that the old people who live in the country would have a home.

Mr. WITTE. They have a home, but they have nothing else.

Mr. FULLER. It costs them less to live.

Mr. WITTE. Yes.

Mr. FULLER. Most of them have someone to take care of them, relatives, do they not?

Mr. WITTE. They do everywhere. That is the picture I want to make very clear, that while one-half of the people over 65 are dependent upon someone else, the majority of that one-half are taken care of by their own children.

Mr. FULLER. They would not be entitled to a pension under your theory?

Mr. WITTE. Not at all. Likewise, if an old couple own their own home, of course, they will be granted less of a pension. They would need less than if they had to rent their home. That is the theory on which the \$15 limit is based.

Mr. FULLER. You put the small communities in with the farming territories, but I am talking about the farmers on the farms outside of the cities and the towns. Do you think that applies out there? There is a bigger percentage of them there that needs help than there is in the cities or towns.

Mr. WITTE. I could not really answer that, but I know there are large numbers that are living in rural towns that are now in receipt of relief because they do not have adequate means to live on. They have a home but nothing else. Of course, the pension costs in these rural communities will be much less than in the cities, because in the cities usually you have to rent a place for these people, too, and their cost of living is greater.

Mr. FULLER. Fuel, and so forth?

Mr. WITTE. Fuel, and all that.

Mr. FULLER. They do not raise any vegetables or anything?

Mr. WITTE. But this plan contemplates that the Federal Government will step in and pay one-half of the cost, with a maximum of \$15. The maximum will have no application whatsoever in rural territory. It will have application in urban territory. That is where larger pensions will be paid.

Mr. COOPER. In my studies of this pending measure, I have noticed some provisions on which I would like to have additional information. Therefore, I will ask you, please, Doctor, to follow the bill with me for a few moments.

On page 2, section 2, I note the Federal Emergency Relief Administrator is to have the administration of certain provisions here. As I recall, the act creating the Federal Emergency Relief Administration expires in May of this year. Is that correct?

Mr. WITTE. My understanding is it is July 1, this year.

Mr. COOPER. At any rate it expires this year. Then what is your idea of the designation of this agency which is to cease to exist this year?

Mr. WITTE. There will be a successor agency of some kind, undoubtedly.

Mr. HILL. Section 9, page 8, is the provision for that.

Mr. WITTE. Yes.

Mr. HILL. It says:

The President is authorized to transfer at any time to any officer or agency of the Government the duties and powers conferred upon the Administrator under this title.

Mr. WITTE. That is to take care of that specific provision.

Mr. COOPER. So far as the construction of the bill is concerned, this is permanent legislation?

Mr. WITTE. Yes.

Mr. COOPER. Then I assume there is no purpose to be served by having the word "emergency" included there?

Mr. WITTE. The only thought of vesting the grant of old-age pensions in the Relief Administration is that these are noncontributory pensions, gratuities; this is relief in a more orderly and a better form. It is a relief, not an insurance system. This part of it is to take care of people that are in need, many of whom are on the relief list now. What becomes of the Relief Administration as such is entirely within the power of you gentlemen. Presumably, there will be a successor administration, or a continuation. But in any event, we felt that this belongs with whatever agency in the Federal Government has charge of the matter of granting assistance and relief. If in your judgment it is better to give it to the social insurance board, that can be done.

Mr. COOPER. Then, the latter part of that section 2, I assume it is based upon the idea that the legislature, of course, is to act and to provide that the State shall participate in this system. And as to this notice that is to be given by the Government, in case the legislature convened after this time and did not take any action, then that would mean that that State could not participate in this system?

Mr. WITTE. That is a usual clause in the acceptance of Federal grants in aid; if the legislature is in session, the legislature must accept. But if the legislature is not in session at the time, the governor can, in the interim, accept until the next legislature convenes, to eliminate the necessity of a special session of the legislature. However, this clause is not very important in States that now have an old-age pension law.

The governor could not modify the legislation of the State. So there is involved more than an acceptance of this act. That illustrates what I said in the beginning, that if it is humanly possible to act at an early date on this legislation—not tomorrow or the day after, but before the legislatures that are now in session have gone home—it certainly is desirable, because the legislatures will have to act in all States, including the 28 that have old-age pension laws now.

Mr. HILL. I would like to ask the gentleman from Tennessee if he has any question of doubt as to whether a governor of a State can accept, whether he has the power to do that.

Mr. COOPER. I assume that that would be determined by the constitution and the laws of that State.

Mr. HILL. My impression is that, generally speaking, he would not have that authority.

Mr. COOPER. That thought occurred to me. There might be some question as to whether some governors would have the authority so to act.

Mr. WITTE. This is a clause that is common in your acts for grants in aid. It occurs in the Vocational Education Act. It occurs in all your grants in aid acts, I believe.

Mr. COOPER. You do not anticipate we will have any difficulty, then, about the governors of the various States having the necessary authority?

Mr. WITTE. I do not think so, but a governor could not accept this act and modify the State law where the State law is contradictory. It would mean something for the 20 States that now have no laws. For the other 28 it would not mean anything.

Mr. COOPER. Of course, if a State's present old-age pension law does not meet the requirements, there might just as well not be any law at all, so far as this bill is concerned. Is not that true?

Mr. WITTE. They would have to modify their law.

Mr. COOPER. I see.

Now, then, on page 4, paragraph F, would you be kind enough to give us a little further explanation as to that provision with reference to the estate of an aged recipient?

Mr. WITTE. This is a provision that has relatively little importance, but will be of importance in some instances. An old person, let us say, has not disclosed that he has property and has drawn a pension. That old person has failed to play square. He has withheld informa-

tion as to property from which he might have supported himself. Then this clause says that the State must have in its law a provision under which the United States will get back its part of the pensions. That is what this provides. As a matter of fact, all of the 28 State laws that now exist have clauses in which they provide that not only this one-half that the Federal Government will pay but the entire pension can, under such circumstances, be recovered from the estate. I think it should be.

Mr. COOPER. On page 5, paragraph (c), does this mean the average or does it mean a detailed report giving names of every person receiving the benefit in every State?

Mr. WITTE. I think that is up to the regulations of the administrator. Presumably it would not be an absolutely detailed report; but if the administrator felt that the United States Government was being cheated, I think he would have authority under this to require a detailed statement.

Mr. COOPER. That is, of every person in that State receiving benefits?

Mr. WITTE. Yes, if he so insisted.

Mr. COOPER. Then on page 6, section 6, I wonder if you would be kind enough to give a little further explanation as to the application of that provision.

Mr. WITTE. That is a provision applying to the beginning of the year. Let us assume that you are trying to determine how this \$50,000,000 that you are appropriating shall be distributed. This is on the assumption that you might possibly have to prorate that appropriation, although you probably will not, depending upon the extent to which States come under this law and the speed with which they do it.

This says that you take the amount that the State has appropriated for old-age pensions, plus the amounts which the political subdivisions of the States have appropriated, deduct from the total the amount that has been recovered under this provision I have just discussed—this provision that the Federal Government get back the money it has paid in pensions if it develops that old people have had some property—and the amount that was unexpended from this allotment. You take these four items, the amount they have appropriated, plus the amount that the political subdivisions have appropriated, deduct from that the amount the States still have left over from last year, and the amount which they have recovered in behalf of the United States from pensioners who died with property, and that is the amount on which you compute the allotment to the particular State. You add up for the 48 States, and if it develops that you have a total of \$55,000,000 instead of \$50,000,000, you prorate that amount.

Mr. COOPER. That difference.

Mr. WITTE. That difference. That does not mean that the State actually gets its allotment in that particular year. The actual amount that the State will get is specified in section 7. The Federal Government pays the actual expenditures by the State, quarterly, on a one-half basis. But this section specifies the amount that is set up for the benefit of the State. That is the maximum amount they can get during the year. They draw that in quarterly installments

as they actually spend it, and will never get any money in excess of their expenditures.

Mr. COOPER. On page 7, paragraph (e), the provision with reference to the notice to the State authorities when such withdrawal is approved, and so forth, what do you think of the value of having some definite period of notice provided there?

Mr. WITTE. It would be very reasonable, I should think.

Mr. COOPER. In other words, this agency here in Washington just decides to cut a State off and gives notice to that effect. It strikes me it might be well for some definite period of notice to be given. You think that would be helpful, do you?

Mr. WITTE. Quite helpful. We do not expect that there will be many such instances. This is the same clause you have in other aid acts.

Mr. COOPER. I do not expect it either, but—

Mr. WITTE. For instance, in highway aids you have the same clause, that if a State should fail to observe the restrictions the money would be stopped all of a sudden. It has not been done in any instance. But this is a club, that if a State does not play fair, if, for instance, it has been making false reports or something of that sort—you can stop the payment.

Mr. COOPER. On page 11, paragraph (e), I would appreciate a little further explanation as to that provision there.

Mr. WITTE. Mr. Cooper, that is in the other title with which I have not dealt. This is in title 2.

Mr. COOPER. I beg your pardon; I turned two pages at once. All right, Mr. Chairman, thank you.

The CHAIRMAN. Speaking of those cases where the children are able to support the dependent parents, suppose they are able to, but, as in many cases, they simply decline to do so. Would the parents then receive the benefits under this act?

Mr. WITTE. They could receive benefits under this act if the State law so permitted, and probably should. Suppose there is a well-to-do son living in another State on whom you cannot lay your hands. He should support his parents, but there probably is no way in which you can make him do it. In any event, you cannot let these old people starve because the children will not do their duty. In every State there is a requirement that the children shall support their parents, if they are able, and there is a provision under which the State authorities can enforce that obligation. But in the meantime you may have to pay a pension to this old man or old lady whose son will not support them. It is up to the State to make that son support his parents.

The CHAIRMAN. The States do that?

Mr. WITTE. They have laws for that; yes. They have such provisions in their poor-relief laws, I am very certain.

The CHAIRMAN. Where there is a separate family, where the child has gone off from under the control of the parents and is of legal age do they have a right to force him to support his parents if he is able to?

Mr. WITTE. They can be legally compelled to support them. That is not done in many instances, but it can be done. I think that in every State in the Union a child that is able to support his parents can be made to support them.

Mr. CULLEN. You are familiar with the New York State laws. You know that under our laws when a case like that comes before the courts, where the child is able to support the parents, he is compelled to do it. Not only that, but in running through your bill, I was wondering if you did not pattern some of your annuities along the lines of the State retirement system and the city retirement system that are operating in New York State.

The CHAIRMAN. What would be the situation in the case where the parents had sufficient property to maintain themselves; where they had 6 or 8 children with families, who did not have property; and where the parents would divide the small amount that they had with the children, leaving themselves insufficient means for their own support? What would be the effect of this law in a case of that kind? Could we keep the parents from disposing of their property and then becoming beneficiaries under this act?

Mr. WITTE. No. But I would like to make this point clear, that this bill contemplates that the State will pay one-half of the costs, or better. You have a great degree of security right there. The States will administer this law and they will protect themselves.

There are clauses in these State laws under which if you dispose of property for the purpose of getting a pension you are committing a penal offense. I believe that is in all the old-age pension laws. But if this thing should have happened years before, and if the old person has made a sad mistake, as old people do, in giving all his money to his children and then the children very heartlessly do not take care of him, then of course that old person will have to be supported by someone, and there is no good reason why he should not be given a pension, and the State should go after the children if it can.

The CHAIRMAN. If they dispose of their property after the enactment of this bill into law, they would not get the benefits of it, or would that have to be determined by State law?

Mr. WITTE. Every State law, I think, provides that it is an offense to dispose of property in order to receive a pension.

The CHAIRMAN. How would you establish the motive?

Mr. WITTE. It is very difficult to establish, obviously. It would apply in certain cases.

Mr. JENKINS. As I take it, this law and all its several subtitles does not contemplate that there should be any pension paid to anybody who is drawing any other kind of a pension except as a retirement pension, and so forth; of course it would not.

Mr. WITTE. It does not bar them absolutely. It is a question of how much income there is. Suppose there is a pension paid of only a dollar or two under some kind of a trades-union scheme that is nearly bankrupt. That dollar would be taken into consideration, but the pensioner could still get something more if you needed it.

Mr. JENKINS. Suppose on the other hand it is something like a Government retirement or a railroad retirement pension. The question I am asking is, Would the person who is entitled to receive that be entitled if he wished to take advantage of this cooperative plan to do so?

Mr. WITTE. Of the voluntary plan?

Mr. JENKINS. Yes.

Mr. WITTE. Certainly, he could come in there.

Mr. JENKINS. Suppose a railroad man wants to do that; how will he be classified as to what State he should belong to, inasmuch as he earns his money from one end of the line in one State to another end of the line in another State? Would that be a matter of regulation to come up in the law?

Mr. WITTE. The compulsory annuity system and the voluntary annuity system are operated exclusively by the Federal Government. The pension system, the noncontributory pensions are operated by the States. This railroad man is a resident of some State. He can daily travel through three or four States, but he lives some place where he has a residence, where he is a citizen.

Mr. JENKINS. Yes; but the point is this, that as I understand it he contributes and his employer contributes also. His employer is the railroad company, which is incorporated some place and is a legal entity. Would that be controlled by regulation, or is that controlled individually?

Mr. WITTE. The illustration is not very good, because the railroads are not in the compulsory system. They have their own system. But suppose it is a truck company; that would be covered. This is a Federal fund, federally administered. The compulsory annuity system is operated directly by the Federal Government. It does not make any difference whether this man is daily in several States; it makes no difference where he lives.

Mr. JENKINS. Then as I understand it, the contribution by the employer will also be fixed by the Government just the same as the contribution by the individual?

Mr. WITTE. It is fixed in the bill here.

Mr. JENKINS. Regardless of the residence?

Mr. WITTE. Yes.

Mr. TREADWAY. One of your first statements was an appeal to the committee for rapid action in order to reach legislatures now in session. Of course, that is a very interesting request, because it is constantly being made to us. We are going to vote, I understand, \$4,880,000,000 in a few hours tomorrow. Nobody has ever seen the bill as yet, the rule under which it will be considered, or anything else. But there is great haste. You are evidently in the same sort of haste on this measure, are you not?

Mr. WITTE. I explained that.

Mr. TREADWAY. Yes; I heard your explanation.

Mr. WITTE. I explained that it is desirable, if you can, to expedite this legislation so that the States can act this year.

Mr. TREADWAY. At that very point, "so that they can act", assuming that we could hurry just as rapidly as you want us to, to put this into law; this is not an emergency proposition, this is not a new scheme, of course—that is, the idea is not new, though your particular bill may be. This social insurance, and so on, have been before Congress and before the American people for a long time, but the bill is comparatively new.

If your advice should be accepted by Congress and legislation passed quickly, what sort of knowledge have we that it will come promptly before these legislatures that are in session? The fact that Congress had passed it would not put it into the hands of the legislatures. would it?

Mr. WITTE. I think that there are old-age pension bills pending at this time in probably every legislature of the United States.

Mr. TREADWAY. You say yourself that even the 28 States that now have old-age pensions must amend their laws to conform to this suggestion?

Mr. WITTE. In our offices we have, I think, a dozen letters now from States—either interim commissions that are at work or Governors—asking what has to be done by them to take advantage of this old-age pension legislation. I think, as you are no doubt aware, there is a tremendous sentiment in the country for old-age pensions legislation. I believe that after Congress is through with this bill, probably before Congress is through with this bill, fully half of the States will act on the assumption that this sort of legislation will go through.

Mr. TREADWAY. Which is more important, to hurry Congress in order to place the subject matter before legislatures, or to allow Congress to digest thoroughly as important a piece of legislation as you are proposing here?

Mr. WITTE. Let us take this matter of old-age pensions: That question has been before the Congress repeatedly. I tried to make plain that it is not the thought of the committee that Congress should not give adequate consideration to it.

Mr. TREADWAY. To which committee are you referring?

Mr. WITTE. The Committee on Economic Security, which I represent.

Mr. TREADWAY. There are so many committees I do not like to be confused here.

Mr. WITTE. However, is it not possible to dispose of this matter? After all this period of consideration—and this has been before the public; this title 1 with a \$10,000,000 appropriation was before your House last year and was recommended for passage by the Labor Committee. I acknowledge your point that Congress should understand this legislation and act in an intelligent way, but I believe that you can act in an intelligent way on this piece of legislation and yet act before the legislatures are adjourned.

Mr. TREADWAY. Doctor, I believe you weaken your own statement just a little by coming before us and asking for our advice and assistance. You say yourself that you do not believe this is perfect, that we may want to change it. Of course, that is a novel proposition; in the last year or two that offer has not been presented to us. I am very glad to have you take that viewpoint, that perhaps Congress can improve the measure that you or your committee have drafted here. But now you speak of the committee. Is that the committee whose names appear at the end of the letter of transmittal? Is that the committee?

Mr. WITTE. Yes.

Mr. TREADWAY. Or is it one of the committees in the back of the book?

Mr. WITTE. No, this is the Committee created by the President.

Mr. TREADWAY. But there are several other committees mentioned. When you speak of "the Committee", you mean the Secretary of Labor, the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator? That is the Committee, is it not?

Mr. WITTE. Yes, sir.

Mr. TREADWAY. That Committee is, of course, recognized as an administration Committee. There is no other person's judgment represented by that group, is there? That is purely an administration group. But over here in the appendix you have some other committees, a list of committees advisory to the Committee on Economic Security, the advisory council—the titles are fine, at least. I am not sure how many there are. I think I read somewhere here that that Committee had four meetings, did it not?

Mr. WITTE. Four meetings, extending over several days, though.

Mr. TREADWAY. Yes, but there were four meetings. I think your report says four meetings, does it not? In other words, something must have been handed to that Committee to comment on.

Mr. WITTE. Certainly.

Mr. TREADWAY. Exactly as you are handing this bill to us to comment on.

Mr. WITTE. To consider and act upon.

Mr. TREADWAY. Is not that the situation?

Mr. WITTE. Certainly.

Mr. TREADWAY. I do not know, it will take a little time to count up—there is two-thirds of a page of names here—but I notice that there are only five practical business people on that whole committee; the president of the General Electric Co., the president of the Leeds & Northrup Co., The president of the Miami Copper Co., the president of the Standard Oil Co., of New Jersey, and the assistant treasurer of the Eastman Kodak Co. The rest of them are theorists and brain trusters and various types of advisers such as have been running the country for some little time past, are they not?

Mr. WITTE. I think not. I think they are all responsible citizens.

Mr. TREADWAY. Oh, I do not question that, sir, oh, no, but they are college professors; the chairman is the president of the University of North Carolina. I recognize that he must be a most able gentleman, and no doubt capable of leading the youth in the right lines of education.

The CHAIRMAN. He is a fine gentleman, noted for his good judgment and common sense.

Mr. TREADWAY. Another here is Mr. Raymond Moley, editor of Today, former Assistant Secretary of State, and there seems to be some question as to why he did not continue as Assistant Secretary of State; but I will not comment unnecessarily on that group other than to say you are asking the Government to adopt the program laid out by five leaders of the administration, advised four times in the course of its preparation by a group of people scattered all over the country, who came here just to examine the results of your individual work under the supervision of this Committee. Is not that about the size of it?

Mr. WITTE. I think there has been more consideration of this legislation before it reached the Halls of Congress, than of almost any other legislation.

Mr. TREADWAY. Usually a bill introduced in Congress—until quite recent years—very frequently will pass under the same title in the course of time, but the parent will not recognize his child when Congress gets through with a good deal of it. I do not suppose that will apply now so much, but nevertheless I think my reference to the

advisory committee is fairly well taken. Then you have a technical board, which you told us was entirely governmental employees. They would not be very apt to advise something contrary to what the administration had put in, would they?

Mr. WITTE. They were the ones that worked it out.

Mr. TREADWAY. Oh, I see; good.

Now, I want to get to one other point: You told us that these figures were largely guesswork this morning, did you not?

Mr. WITTE. No, sir.

Mr. TREADWAY. I understood you to say so.

Mr. WITTE. No, sir.

Mr. TREADWAY. Did you not use the word "guesswork"?

Mr. WITTE. I do not believe so.

Mr. TREADWAY. I think the record will show you did, sir. I am not criticizing that at all. I simply wanted to get the detail of it.

Mr. WITTE. The detail is that these are the best estimates that the best people in the country in this field can give you. Obviously, when it is a question of determining how many old people will be dependent in the year 1980, you can describe that as a guess if you wish, but no matter how long you remain in session and how long you consider this it will still be a guess. And let me make this point, that while you are deliberating on this matter many old people are in need. There are now on relief lists close to a million old people in need. I do not believe that it is an unreasonable proposition to ask it, and I am not saying you should do so, but if you can, remember that this legislation is of vital importance, and that not only are the legislatures in session but that there are many people depending on this legislation.

Mr. TREADWAY. Is this not more or less coordinated with the large bill we are told we have to pass tomorrow? There are 880 millions in that alone, I understand, for immediate relief. Is not that the group to whom you are now referring?

Mr. WITTE. Yes.

Mr. TREADWAY. So that their immediate needs will be taken care of?

Mr. WITTE. Until July 1.

Mr. TREADWAY. Until long before this bill can be passed.

Mr. WITTE. This bill provides funds after July 1; the other bill before July 1.

Mr. TREADWAY. As to these actuarial consultants, three of them are from universities and the other is president of a life insurance company. You qualified them as experts in this line. How do college professors qualify as actuarial experts? I thought they were always employed by insurance companies or companies of that type.

Mr. WITTE. Professor Glover, the chairman of the committee, has trained at least two-thirds of the insurance actuaries in this country. He has himself been the president of an insurance company. As a consultant he commands fees of many thousands of dollars, when called in by insurance companies; Professor Reitz likewise. These are the men in the country who are in charge of the actuarial courses in universities, out of which come the actuaries.

Mr. VINSON. And if some of us do not happen to know about their standing and ability and capacity, it is our fault?

Mr. TREADWAY. That is why I am asking the questions, of course, to get the reason. Certainly I appreciate Mr. Vinson's interjection. There is no question that we do not know all of these college professors.

There have been a lot of them show up around here in the last 2 years that I never heard of before. However, that is nothing against them. I will try not to digress, Professor—are you a professor or just a doctor?

MR. WITTE. You can leave off the “doctor” and the “professor”; it suits me much better.

MR. TREADWAY. I have in my mind, just in relation to this actuarial proposition, an item which I understand appeared in the press this morning, which seemed against the accuracy of the estimates given in this bill.

Have you seen that article?

DR. WITTE. Certainly; I referred to that. That was a statement in the report that, of the people now past 65, probably one-half are dependent. The next sentence says that the great majority of these people are being supported and will probably continue to be supported by their children. It is a case of picking out one sentence and trying to make out that the amounts of the pensions will be very small; but you are not going to grant pensions to the majority of these that are dependent, because they are being supported by their children; you won't have to.

That does not question the accuracy of the figures at all.

MR. TREADWAY. I had written down that very question to ask you, and it has nothing to do with that article that I just referred to. Of course, this says that instead of your being able to get this figure, \$15 a month, it will be \$5.55 a month, and I wanted to ask you the question, how many do you estimate will become eligible under your bill for pensions that are now being supported by their own families? You must have some estimate on that.

DR. WITTE. Those that are being supported by their own families will not become eligible to pensions.

MR. TREADWAY. A few moments ago you gave an illustration of a son living in another State that could not be forced to support his father and mother if he did not see fit to. Have you not some estimate of the number of that type?

DR. WITTE. No.

MR. TREADWAY. What would be your guess?

DR. WITTE. Very slight. At the beginning, it would be very small; in course of time all pension costs would—I believe in being entirely honest with this committee.

MR. TREADWAY. I see that right in your face. There is no question about it.

DR. WITTE. Beyond question, if you do not start a savings system at the same time, any pension system will in time tend to weaken this degree of support—the degree of the sense of responsibility which children have for their parents. That has been the world experience.

MR. TREADWAY. But you recognize that possibility.

DR. WITTE. In the course of time it will develop, if you do not offset that by some other tendencies.

MR. KNUTSON. Is it true that your actuaries estimate that this bill, when it becomes a law, will cost \$125,000,000 as against your estimate of \$50,000,000?

DR. WITTE. No; that is not correct. As I stated, that assumes that you could start off on a Nation-wide basis, right at the start,

and that everybody that could qualify at the present time would be on a pension from the very beginning, and that the average pension would be as high as \$25, which is higher than experience has demonstrated so far. With those assumptions, you would have a cost of \$136,000,000, but the actuaries qualify that by saying that undoubtedly there will be a lag which they as actuaries cannot estimate and on which the question is not an actuarial one. The estimate of \$50,000,000 is a matter of judgment. You may think that it should be \$75,000,000. It certainly will not be so high as \$136,000,000 in the first year. It is inconceivable that everybody that should be put on the pension list would be on from the first day of the year.

Mr. KNUTSON. You stated a while ago that those who were now being supported by their children would have to continue to be supported by their children. Do you not think that that is putting a little bit of a strain on human frailty?

Dr. WITTE. Again I come back to this, that in some instances, where it is imposing an undue sacrifice, there might be such a thing as taking off some of that load, but let us not forget that we have in this picture a very good safeguard against the Government being mulcted, and that is that the States pay half the cost. If the local administrators are willing to pay one-half the cost, I think that the Federal Government can rely upon the fact that the pensions will probably not be granted except in rare cases, where they should not be granted.

Mr. TREADWAY. Just one more question, Mr. Witte. On page 4, may I ask you to turn to paragraph 3, where it says that the income of a person must be adequate to provide reasonable sustenance, compatible with decency and health.

I understood you to say that that was a phrase used in State laws that were already applicable to old-age pensions. Is that correct?

Dr. WITTE. The two best laws that we have are those of New York and Massachusetts, and they have that language.

Mr. TREADWAY. Please put it the other way around. [Laughter.]

Dr. WITTE. I will. Massachusetts pays the most liberal pensions in the country.

Mr. TREADWAY. There; now you have it correct. [Laughter.]

Mr. KNUTSON. You should have stated that in the beginning.

Mr. TREADWAY. What has been the experience in Massachusetts, as to who determines what is compatible with decency and health?

Dr. WITTE. The State administration.

Mr. TREADWAY. The administration in the State, and that will be the case with this law in operation, in that the State operates the law and the United States furnishes the capital.

Dr. WITTE. Furnishes half of it.

Mr. TREADWAY. So that the same condition of enforcement would continue as is now in use in the various States having old-age pensions, that the State officials would be the ones to say to what extent their support is decent and healthful? Is that correct?

Dr. WITTE. In any individual case.

Mr. TREADWAY. Yes.

Dr. WITTE. If a State paid pensions of \$2 a month, as one State has been paying obviously no Federal administration would say that

they are complying with the standard, and they would refuse to continue to permit them to pay that. But I came back to this, that obviously the pension that will have to be granted to people on a needs basis will vary with each person's condition. If an old couple is living in the Berkshire Hills, somewhere in a rural town, it does not cost them as much as living in Boston.

Mr. TREADWAY. You mentioned New York. Boston is pretty good, too.

Dr. WITTE. There is beautiful scenery up there.

Mr. TREADWAY. A good place to live, too.

Dr. WITTE. I do not doubt that.

The CHAIRMAN. It has been suggested that we expedite the passage of this legislation as much as we possibly can. It was not your purpose to suggest that we do that at the expense of full consideration and reasonable discussion, was it?

Dr. WITTE. Certainly not. My thought is that you can have all of the discussion you want and still act in time so that we can take care of these old people.

Mr. TREADWAY. As to that first clause, you do not know Members of Congress when you say that they can have all of the discussion they want.

The CHAIRMAN. Do you subscribe to the theory that only the heads of large corporations and of big businesses are qualified to advise and to help work out a program of this kind?

Dr. WITTE. Certainly not; and I might also call your attention to the fact that the list includes persons like Governor Winant and Miss Josephine Roche—and she is another employer, incidentally. The fact that she happens to be an employer who deals with organized labor certainly does not disqualify her from being regarded as an employer. She is operating a coal company; and, I think, with success, which is, after all, quite a qualification.

I submit that the rest of the list are as eminent people, as well as qualified people, as could be gotten to advise our committee.

Mr. TREADWAY. Mr. Chairman, I think that the chairman may have misunderstood my description of those people. I was only sorry that there were not more of that type on the committee, rather than fewer.

The CHAIRMAN. In the revision of your remarks, will you put in a brief statement of the background of each of these advisers?

Dr. WITTE. I think that we have a statement here as to who they are, in general. I think that I could go down the list, and I think that I could qualify every one of the men that served on the advisory council as people that are eminently qualified to give us advice.

Mr. KNUTSON. I do not think that we ought to clutter up the record with a lot of biographies.

Mr. THOMPSON. How did the committee arrive at the age of 65, under the old-age pension plan?

Dr. WITTE. At the present time, as I stated, one-half of the laws have a 70-year age limit, and one-half have a 65-year age limit.

Beyond question, there is a lot to be said for pensioning people below 65, but it is a question of cost. It is a question of getting something into operation.

At this time, the States that are doing the most in the field of pensions, the large States, have a 70-year age limit. Sixty-five is quite an advance over seventy. If you wish to reduce this limit to 60, you will have to increase the appropriation considerably; roughly, you will double the cost.

Mr. THOMPSON. Did the committee take into consideration the fact that industry generally will not employ a man after he is 45 years of age, and what is to become of the intervening 20 years, between 45 and 65?

Dr. WITTE. Certainly we should not pension them. We cannot run our economic system on the basis of paying a pension to people 45 years old. That takes another remedy than a pension. If you construct your economic system on the assumption that everybody over 45 shall be pensioned, you cannot finance it. You will get a Townsend plan, then.

Mr. THOMPSON. I would like to call your attention to the fact that the Government, under the civil service rules, will not take a man over 50 years of age, and it does not look to me like the Government is exactly consistent in setting up a pension system with a 65-year requirement, when in their own service they will not employ a man over 50, and I would like to ask you, Doctor, if the Committee gave any consideration to that fact.

Dr. WITTE. To the civil-service law?

Mr. THOMPSON. Yes, comparable with this.

Dr. WITTE. No.

Mr. DINGELL. Mr. Chairman—

The CHAIRMAN. Mr. Dingell.

Mr. DINGELL. I would like to ask a question here. I am wondering what would be the status of a man who had paid regularly to the contributory fund from the age of 22 to the age of 45 years, and, because he was no longer able to obtain employment, he found it impossible to maintain his contribution to the fund until he reached the eligible age of 65. Does he receive only the pension portion of a noncontributor, or is he given any additional credit for the period when he paid as a contributor?

Dr. WITTE. The two systems are entirely distinct.

Mr. DINGELL. I appreciate that.

Dr. WITTE. Every dollar that is put into the contributory system will come back, either in the form of a pension at the age of 65, or will come back in the event of the death of this man before the age of 65 in a payment to his estate. The money that he himself has paid comes back with interest to his estate should he die before he reaches the age of 65. This system is set up so that a person does not need to contribute each year. If he has contributed for 20 years, he gets a payment based on contributions for 20 years. If he has contributed for 45 years, he gets a payment based on contributions for 45 years.

Mr. DINGELL. But, assuming that he did pay for a period of 23 years, between the ages of 22 and 45, he has a certain accumulated cash value, so to speak, in a contributory fund, and after 45, due to the fact that they are not employing men of 45 years as they are doing in industry today, and that these conditions grow worse as we go on, what is his status? When he reaches 65, does he get an annuity on just those payments that he made?

Dr. WITTE. Certainly.

Mr. DINGELL. But assuming that it is less than the pension payment which he might have received; which does he get?

Dr. WITTE. The noncontributory system is distinct. If the amount that he gets as an annuity is not sufficient to support him, then he will be entitled to a pension under the State law. Under the State law, you take into account how much more they need than they are getting.

Mr. DINGELL. You brought out, as I understand it, one question that I did not think of at all, and that is, supposing that a man does pay for a period of years, and he dies, that that amount will revert to his estate.

Dr. WITTE. The amount that he himself paid, not the amount the employer paid in his behalf, with interest, that comes back to him. If he dies shortly after having had his annuity, in that event you deduct what he has already gotten, and pay him back the rest. A man always gets his own money back.

Mr. DUNCAN. Mr. Chairman—

The CHAIRMAN. Mr. Duncan.

Mr. DUNCAN. Doctor, a very numerous class of people reach the age of 60, and, because of the depression, have lost not only their employment but their savings. Whatever degree of recovery we may enjoy, those people will never be able to have any sort of remunerative employment, because a new generation has come on. Has there been any thought given to take care of that class?

Dr. WITTE. Thought has been given to it, but no definite solution has been arrived at. Of course, there are various views to this problem of discrimination. Actual statistics do not seem to support the general impression that industry is discriminating against old people, although that is done individually.

But this thing has happened in this depression: This whole problem has become more serious in consequence of it; people past middle age have lost their jobs along with the rest, and it is true that these people will find it hard to get other work.

Mr. DUNCAN. It is not a matter of discrimination as much as it is a fact that there are younger people to take their places.

Dr. WITTE. It works out both ways. There are employers who actually prefer the older people, because they are the people with experience. They are not as strong, but it is in this older group that our most skilled mechanics are to be found and in which you find the steadiest workers.

There is a problem there, but you cannot solve it through a pension.

Mr. DUNCAN. They will still have to remain on relief?

Dr. WITTE. They are now on relief, some of them are, certainly, and that is the reason for this entire program.

I wish to come back to this: As Mr. Treadway said, "this is a complement to the works program that the Administration has presented." It is in connection with that group that the works program has been proposed as relief.

Mr. COOPER. I have one other question, if I may ask it, please.

Mr. Witte, with reference to the annuity cost, you made some statement this morning about the annuity cost that would be rolled up because of the so-called "unearned annuities" that would have to be taken into consideration. Now, how would the unearned annuity cost compare with the old-age pension benefit?